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France	100.00	100.00	100.00	100.00
Germany	100.00	100.00	100.00	100.00
Greece	100.00	100.00	100.00	100.00
Italy	100.00	100.00	100.00	100.00
Japan	100.00	100.00	100.00	100.00
Netherlands	100.00	100.00	100.00	100.00
Portugal	100.00	100.00	100.00	100.00
Spain	100.00	100.00	100.00	100.00
Sweden	100.00	100.00	100.00	100.00
Switzerland	100.00	100.00	100.00	100.00
UK	100.00	100.00	100.00	100.00
USA	100.00	100.00	100.00	100.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Thursday November 28 1991

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ENERGY
Enersis sets out
to scale the Andes
Page 18

World News Business Summary

UN resolution paves way for Yugoslav peace force

The UN Security Council agreed a resolution paving the way for the establishment of an international peacekeeping operation in Yugoslavia.

However, the Council said the deployment of a UN force could not take place until there was full compliance with a ceasefire accepted by Serbian and Croatian leaders in Geneva at the weekend. Page 14

Libya told to pay
Britain and the US called on Libya to pay compensation for the 270 people who died in the bombing of a Pan Am airliner over Lockerbie in Scotland in 1988. Page 14

Israel seeks delay
Israel said the US should delay Middle East peace talks planned for next week in Washington and pressed for them to be quickly transferred to the region. Page 4

Kenya drops charges
The Kenyan government dropped charges against four of its critics, including former vice-president Jaramogi Oginga Odinga, arrested two weeks ago for planning to hold a pro-democracy rally. Page 4

Cash for Aids victims
The French government is to compensate thousands of people infected with Aids from blood transfusions between 1980 and 1985, when the country's transfusion centres were found to be using contaminated blood. Page 2

EC farmland polluted
Groundwater under 65 per cent of European Community farms is seriously polluted, according to a survey by Dutch scientists presented to EC environment ministers. Page 2

Nato to move HQ
Norway said Nato would decide next month to move its northern headquarters to Britain from Oslo in a restructuring of the western alliance after the cold war. Page 4

More troops to Ulster
Britain sent 600 more troops to Ulster to combat an upsurge in sectarian killings. Page 4

Soviet aid approved
The US House of Representatives approved \$400m to be used in dismantling Soviet nuclear weapons and \$100m in aid to head off possible food riots in the Soviet Union. Page 4

Republics meet
Leaders of Azerbaijan and Armenia, which both claim sovereignty over Nagorno-Karabakh, met in an attempt to defuse the threat of war following the Azerbaijani parliament's decision to claim control of the territory. Page 8

Japanese MPs fight
Fighting broke out among Japanese Diet members when a bill to allow Japanese servicemen to join United Nations peace-keeping operations was forced through a key committee. Page 14

Bhopal hearing
An Indian court in Bhopal, India, began hearing a criminal suit arising from the lethal gas leak which blanketed the city in 1984 in the world's worst industrial disaster. Page 5

Cassiope yacht for sale
The yacht Christina, which the late Greek shipping tycoon Aristotle Onassis left to the Greek government, will go on sale in January for at least \$15m. Page 17

Getting the picture
Turkey will return to Ireland a stolen 17th century painting found in Istanbul last year. Dutch master Gabriel Metsu's A Woman Reading a Letter was taken in 1986 from Lord Dunsany's estate in Co Meath. Page 16

German energy group buys stake in US coal company

RWE, the Essen-based conglomerate, is to pay \$890m for a 50 per cent stake in Consolidation Coal (Conso) of the US. The deal brings together Germany's largest energy concern and the second-biggest hard-coal mining company in the US, and marks another high point in RWE's aggressive international expansion strategy. Page 15

DOLLAR pushed ahead
in Europe after warnings from Eduard Shevardnadze, Soviet foreign minister, that there could be another Kremlin coup. In London, the dollar closed at DM1.6145 compared with DM1.5805 on Tuesday, and at ¥130.05 against ¥128.25. Currencies. Page 38; Republics. Page 3

MAXWELL Communication Corporation said "it would be appropriate in current circumstances" to delay its interim results, which had been due this morning. MCC, one of the publishing companies built by the late Robert Maxwell, has more than \$1bn debt against \$350m in its private companies. Page 15

BANK OF ENGLAND will allow Soviet-owned Moscow Narodny Bank to continue trading after a commitment from the Russian government to provide financial support if required. Page 3

IBM's share price fell sharply on Wall Street, losing more than \$3 to trade at \$84.7, down from a Tuesday close of \$87.4. Key to success in managers' hands. Page 15

OPEC is to allow its 11 fully producing members to continue lifting oil at near capacity for the first quarter of next year and to defer any decision on output levels for the second quarter to a meeting in February. Page 30

AUSTRALIAN inquiry into the banking system has recommended that the country be brought into line with other financial centres by allowing overseas banks easier access to the market and permission to operate as branches rather than subsidiaries. Page 4

EUROTUNNEL, Channel tunnel operator, claimed a High Court victory in its battle to prevent contractors from carrying out a threat to halt work on part of the £2bn (\$1.4bn) project. Page 10

BOMBARDIER, aerospace and railway equipment group, is expected to emerge with majority control of Boeing's loss-making De Havilland Canada, Toronto commuter aircraft manufacturer put up for sale early this year. Page 16

PHILIP MORRIS, US food, drink and tobacco group, is to take a \$1bn non-cash charge for an accounting change and a \$27m fourth-quarter charge for restructuring its worldwide food operations. Page 15

FINAULT, French timber to furniture retailing company, said it would not enlarge its FF5.25bn (\$700m) bid for two-thirds of A.P. Printemps to include all the Parisian company's shares. Page 17

ARJO WIGGINS Appleton, Franco-British paper group, may be forced to raise its £23m (\$41m) bid for the Spanish paper trader, Corporacion Commercial Kanguro, after running into resistance from the Kanguro board and its advisers. Page 17

SOUTH AFRICA's development agency, the Independent Development Trust, will postpone until next year its proposed \$100m Eurobond issue after the withdrawal of support from the African National Congress. Page 16

Mixed reaction from US banks to reform bill

By Alan Friedman in New York

THE US banking community yesterday greeted the approval by Congress of bank reform legislation with a mixture of relief and disappointment.

The majority of bankers were pleased that the legislation - agreed after nine months of difficult negotiation - recapitalises the depleted deposit insurance fund and allows the fund to extend its borrowing to \$70bn (\$35bn).

There was also relief that the bill did not contain new fire-

walls that would stop some banks from underwriting securities and that the Congress eliminated a proposed ceiling on the interest rates banks may charge on credit cards.

A number of bankers were also pleased that the legislation did not allow the further expansion of "non-bank" banks, such as financial services businesses owned by commercial companies.

There was widespread disappointment, however, that the

legislation failed to establish the right of banks to engage in interstate branching or stock-broking and limited the ability of banks to sell insurance.

Mr Alan Tubbs, president of the American Bankers Association, said the bill "stops well short of the kind of positive, competitive legislation needed to strengthen the banking industry".

But stressed that "a reasonable, narrow bill is far better than an unreasonable, broad bill filled with new

restrictions on bank activities".

In New York, Chase Manhattan said it was not especially pleased by the legislation, but noted "the original bill has been so emasculated that you have to measure our success in terms of what might have happened and did not".

Chase described the Congressional approach to banking reform as "negative and regressive" and said the main thrust of the lobbying undertaken by

the banks "could be called damage control".

In San Francisco, BankAmerica said it welcomed the recapitalisation of the deposit insurance fund. This was echoed in New York by Chemical Bank. The legislation provides that the insurance fund's credit line from the Treasury will be increased from \$5bn to \$30bn and allows the fund to borrow working capital of up to 80 per cent of the value of its assets, which could lead to bor-

rowings of up to \$70bn.

In an interview last week Mr Dick Rosenberg, chairman of BankAmerica, attacked proposals to place a cap on credit card interest rates, an idea that was added to the legislation in the wake of a suggestion by President George Bush.

Mr Rosenberg and other bankers have also argued for the right to expand across state boundaries.

Compromise bill, Page 9

Kohl holds out hope of Maastricht compromise

By Quentin Peel in Bonn and Robert Graham in Rome

CHANCELLOR Helmut Kohl of Germany yesterday raised hopes of a compromise in the European Community negotiations on political union just hours before the arrival in Bonn of Mr John Major, the UK prime minister.

Speaking to the Bundestag, Mr Kohl suggested that decisions on the most contentious issues could be delayed for several years provided the process towards integration was set in train at next month's Maastricht summit.

His speech sought both to prepare his parliament for a more modest treaty on political union than it would like, and to offer an olive branch to Mr Major.

Meanwhile, Britain and Italy pledged to try to narrow the differences between the British government and the rest of the Community to achieve a positive outcome at Maastricht.

But Mr Major, after meeting Mr Giulio Andreotti, his Italian opposite number in Rome, warned that serious bargaining was only now about to begin and many issues would not be solved "until a very late stage".

Mr Major travels to The Hague on Sunday for further talks with Mr Ruud Lubbers, the Dutch prime minister.

Mr Kohl urged the Bundestag to understand the British reserve over the concept of a "federal" Europe, and the

transfer of sovereignty to the EC.

He said that anyone who had followed the recent British parliamentary debate on the EC negotiations would have heard how the arguments went back to 1914. "I do not say that disparagingly. For it is an open question how the Germans would debate [the issues] if they had been declared the victors in two world wars. It is only fair to admit that our partner has a longer road - to travel".

He added that no one should be bothered to come to the EC summit at Maastricht who refused to compromise. A compromise at the summit would be far better than no deal at all.

Chancellor Kohl said his compromise would be to seek to build into the treaty on political union "an opening" through which policies, agreed at Maastricht to remain on an inter-governmental level, could later come under control of EC institutions. He cited as examples the fight against drugs, and control of asylum-seekers.

If it was impossible to agree that they should be subject to EC regulations from the start, he would attempt "to incorporate an opening clause in the treaty, according to which

Continued on Page 14

The federal path, Page 3
Editorial comment, Page 12



Troops shield Khmer Rouge leader Khieu Samphan as he escapes demonstrators in an armoured personnel carrier

Khmer Rouge chief driven out

By Victor Mallet in Bangkok

ONE OF the Khmer Rouge leaders responsible for Cambodia's reign of terror, in which more than 1m people died, was driven out of the country yesterday after being attacked by an angry mob - throwing into doubt the country's peace agreement.

Mr Khieu Samphan, 60, the nominal head of the Khmer Rouge and right-hand man to Pol Pot, the organisation's shadowy leader, was assaulted by men, women and children who stormed a government guest house on his return to

the Cambodian capital Phnom Penh.

Shouting "murderer" and "kill, kill, kill" they beat him and tried to hang him from the ceiling.

Bleeding from a head wound, he was eventually rescued by Cambodian security forces and taken away in an armoured car. He was later reported to have left the country for Thailand.

Mr Khieu Samphan, who studied economics in Paris in

the 1950s, is held responsible for some of the extremist anti-urban policies of the Khmer Rouge during its reign of terror between 1975 and the Vietnamese invasion in 1978.

An estimated 1m Cambodians were killed or died of hunger when the Khmer Rouge took power, emptied the cities of people and murdered intellectuals and other suspected opponents.

Continued on Page 14

Free-market extremism, Page 5
Editorial comment, Page 12

Agnelli family company may bid for Perrier group

By William Dawkins in Paris

CONTROL of Source Perrier, the mineral water group, was set to change hands yesterday amid widespread speculation on European bourses that the bid might come from IRI International (Iri), a holding company controlled by Italy's Agnelli family.

The Italian group started buying shares in Exor, the French holding company which controls the company, in January and controls an estimated 21 per cent of the voting rights. Exor shares were suspended on the Paris bourse.

Exor, which also owns the claret Chateau Margaux, Parisian property, and 2.4 per cent of the Suez financial and industrial holding group, said its board would meet and make an announcement before the end of the week.

The Agnelli family have an extensive French industrial portfolio, including 50 per cent of the BSN food group, held by IRI, another Agnelli holding company. None of the companies involved would comment.

BSN, whose Badoit sparkling mineral water leads Perrier on the French market, is also expected to be radically reorganised to be interested in taking control of its competitor, although the company denied involvement.

Perrier's share price rose by 3.5 per cent to FF11.374 (\$235.05) on the news, valuing the group at FF11.4bn. Exor is valued at FF14.8bn, at the FF10.50 suspension price.

If IRI or other Agnelli interests did bid, this would be the third time that control of Perrier has fallen into non-French hands. However, stock-brokers thought it unlikely that a direct bid for Perrier itself would emerge.

Founded by a Dr Perrier at the end of the last century, the group was until 1938 owned by Lord Harmsworth.

Then in 1948 Mr Gustave Levee, a French stockbroker, bought the group and was chairman until last year, by when the group had fallen under Exor's control. Exor is controlled by the Franco-Greek

Mentzelopoulos family.

Today, Exor owns 35 per cent of Perrier and supplies its chairman, Mr Jacques Vincent, who took over from Mr Levee after the Perrier brand was forced to destroy its world stocks following the discovery of traces of benzene.

Mr Vincent has introduced new management and sold and trimmed loss makers. Perrier's net profits fell by 54 per cent to FF389m in the first half.

The Mentzelopoulos family sold a 13.5 per cent stake in Exor to IRI in January, reducing its stake to an estimated 16 per cent to 17 per cent. IRI bought options for another 7.96 per cent from a Swiss holding company in April.

If the Agnelli family bought the remaining Mentzelopoulos shares, that would lift its stake above the 33 per cent at which it is obliged, under French takeover regulations, to launch a bid for two-thirds of Exor's capital.

Lex, Page 14

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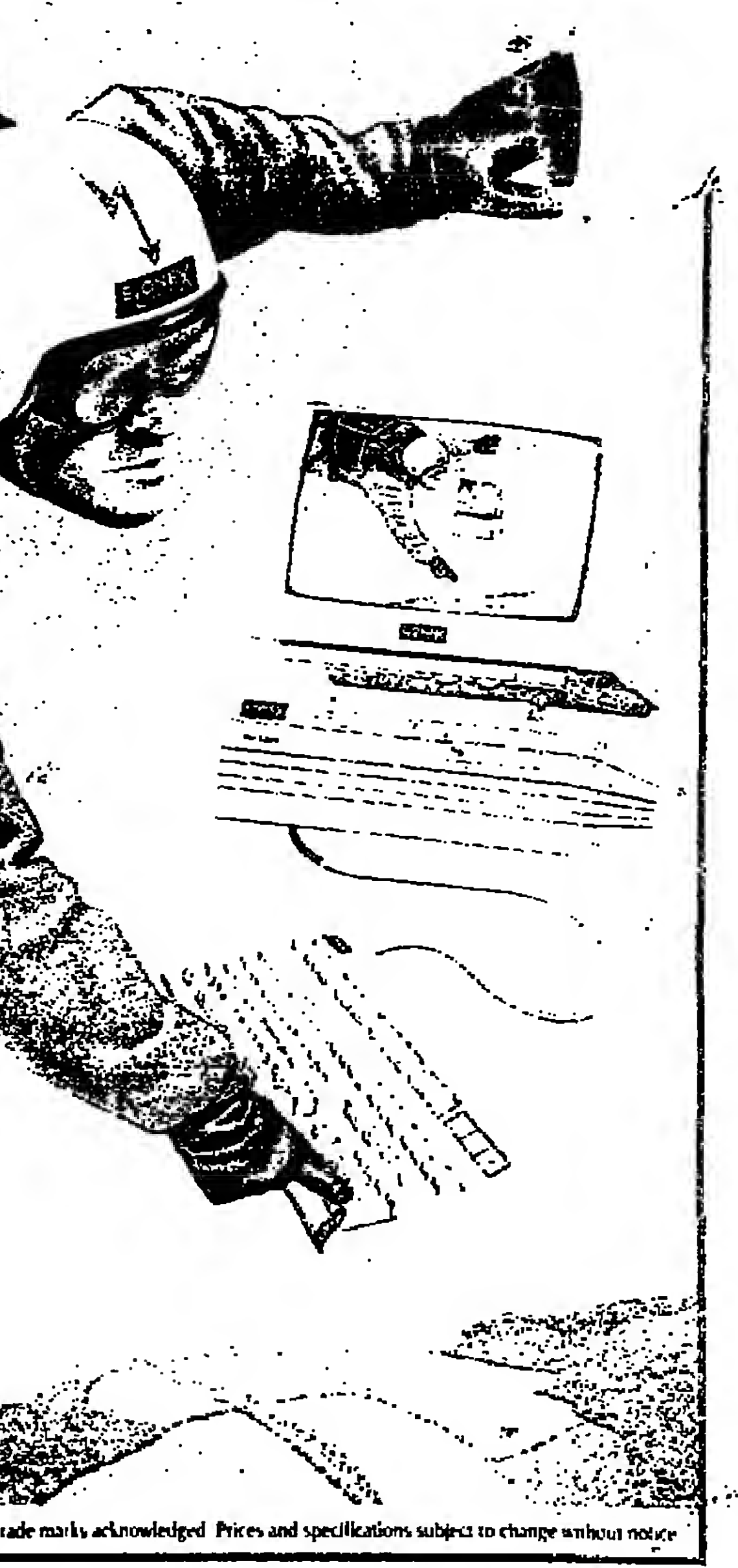
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IBM plans to liberate its sprawling business empire

Mr John Akers, the chairman of IBM, has unveiled plans to banish bureaucracy, improve efficiency and increase autonomy among the many business sectors of the world's largest computer company. Page 15

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MARKETS

STERLING	
New York lunchtime:	\$1.7635
London:	\$1.757 (1.797)
DM2.8575 (2.84)	
FF9.755 (9.705)	
SF2.2225 (2.23)	
Y20.25 (20.25)	
£ Index 90.4 (90.5)	

DOLLAR	
New York lunchtime:	DM1.8185
FF5.5235	
SF1.428	
Y130.25	
London:	DM1.817 (1.805)
FF5.52 (5.40)	
SF1.4275 (1.402)	
Y130.25 (128.15)	
\$ Index 83.2 (82.4)	
Tokyo close:	129.24
US lunchtime rates	
Fed Funds:	4 1/2 %
3-mo Treasury Bill:	4.492 %
Long Bond:	100 %
yield:	7.561 %

STOCK INDICES	
FT-SE 100:	2,447.5 (-24.0)
FT-40 Share:	1,183.03 (-0.8 %)
FT-SE Eurotrack 100:	1,069.79 (-1.69)
New York lunchtime:	
DJ Ind. Av.	2,906.31 (-0.83)
S&P Comp	378.88 (-1.08)
Tokyo: Nikkei	22,973.28 (-138.81)
LONDON MONEY	
3-month Interbank:	10 1/2 % (10.3 %)
Life long gta future:	Dec 83 % (83 1/2 %)

EUROPEAN NEWS

Moscow Narodny Bank escapes closure threat

By Robert Peston and Anthony Robinson in London and Leyla Boulton in Moscow

THE Bank of England yesterday agreed to allow the Soviet-owned Moscow Narodny Bank to continue trading after a commitment from the Russian government to provide financial support if required.

The move followed crisis talks between the Bank of England and the Russian authorities about the possible closure of MNB. There were fears that western banks might withdraw deposits from MNB because of the deteriorating economic and financial situation in the Soviet Union.

MNB and Soviet-owned banks in France and Germany were required "to seek clarification of their position from the competent authorities of the countries in which they are located" as part of last week's G7 agreement to defer repayment and principal on Soviet medium and long term debt until the end of 1992.

MNB, which is based in London and has a branch in Singapore, said that both the Russian government and its two major shareholders, Gosbank and Vnesheconombank, were standing behind it.

Questions over the future of the Soviet-owned bank followed the decision of the Russian government to extend its control over the two main shareholders. The future of Mr Viktor Geraschenko, the head of Gosbank, the central bank, is also uncertain pending a Russian parliamentary vote on whether he should continue.

At the end of 1990, MNB had deposits of £1.5bn, of which approximately half were from western banks and the rest from Vnesheconombank, the foreign trade bank.

It is understood that the Russian government made a similar commitment to the central banks in Germany, France, Luxembourg and Austria that it would provide financial

backing for the Soviet-owned Banque Commerciale de l'Europe du Nord in Paris, the East-west Handelsbank in Frankfurt, the East West United Bank in Luxembourg and Donau Bank in Austria.

Moscow Narodny, the longest established of the Soviet foreign banks, has been operating in London since 1919. Vnesheconombank and Gosbank jointly own 51 per cent of the shares with 20 other Soviet institutions holding the rest.

The bank has slimmed down its operations sharply over the last two years during which assets have fallen from £2.5bn at the end of 1989 to current levels around £1.4bn.

The bank's reduced exposure to the Soviet market now accounts for around 50 per cent of its total business. "We would not like to increase that at present," Mr William Newman, the assistant general manager, said yesterday.

Republican foes hold talks

By Leyla Boulton

THE leaders of Azerbaijan and Armenia met yesterday in an attempt to defuse the threat of a worsening of the Azeri-Armenian parliament's decision to claim control of Nagorno-Karabakh.

Passions over the Armenian-populated enclave inside Azerbaijan have triggered months of guerrilla warfare and an Azeri blockade of Armenian energy supplies which has left the smallest Soviet republic shivering in the dark.

The decision will escalate fighting between Armenian guerrillas and Azeri troops. It is also likely to speed moves by the two indepen-

dence-hungry republics to create their own armies. Azerbaijan's President Ayaz Mutalibov and his Armenian counterpart, Mr Levon Ter-Petrosian, were in Moscow for a meeting of the State Council - grouping leaders of all Soviet republics except Ukraine, Moldova and Georgia. Although President Mikhail Gorbachev is now trying to set up a buffer zone between the republics, his ability to broker a peace is marginal. Russia and Kazakhstan have been trying to do the same for weeks.

Nagorno-Karabakh is seen as sacrosanct by both sides: Armenia says it is part of ancient Armenia while the Azeri claim it is their land to keep and that it has never belonged to Armenians.

Russian foreign minister Andrei Kozirev yesterday joined his Soviet counterpart, Eduard Shevardnadze, in fearing another coup attempt in the Soviet Union. Reuters reports from New York.

Mr Kozirev said during a visit to Washington: "There is a danger probably of a coup d'etat but it will not solve any problems. It will just lead to bloodshed."

Mugged by a man in a wheelchair

Quentin Peel hears future adversaries slug it out in the German Bundestag



Bruising encounter: the acerbic Wolfgang Schäuble, left, and studious Hans-Ulrich Klose

AN unlikely pair of maidens yesterday took the floor in the German Bundestag, to give the great German electorate a first flavour of their political future: of life after Chancellor Helmut Kohl and his old sparring partner, Mr Hans-Jochen Vogel of the Social Democrats (SPD).

It was maiden speech day for the new parliamentary leaders of both Mr Kohl's Christian Democrats (CDU) and the opposition SPD, and their first big clash on the floor of the house in the all-important budget debate.

In the blue corner, Mr Wolfgang Schäuble of the CDU, 49 years-old, the acerbic, combative former Interior Minister, and crown prince to the Chancellor, his energy apparently undimmed by an assassination attempt in April which has left him wheelchair-bound.

In the red corner, Mr Hans-Ulrich Klose, aged 54, once an enfant terrible of the SPD, a former mayor of Hamburg and anti-nuclear campaigner, now in the mainstream of the party.

He comes below Mr Björn Engholm in the party pecking order, but he must be a possible future Chancellor.

In the event, their styles could scarcely have provided more of a contrast. Mr Klose was the first in the lists, to deliver a studious analysis of the range of German political debate, a text he read from the lectern like an earnest headmaster, spectacles on the end of his nose.

He congratulated his rival on his election this week as leader of the ruling party in the Bundestag - and wished him a happy time as eventual leader of the opposition. He then proceeded to denounce the record of the government, the environment, immigra-

tion and asylum, for misleading the people over the costs of unification, over the failure of social protection in the east, the huge burden of half-hidden government debt, and the plan to raise value added tax and reduce company taxation.

It was all most scholarly, and restrained, as if he sought to belie his erstwhile reputation as a firebrand.

Mr Schäuble suffered no such restraint. Fidgeting in his wheelchair, waving his spectacles, playing with his handwritten notes, he proceeded to savage the headmaster like an aggressive school inspector - or simply a streetwise bully.

He took all the heckling (from a suddenly bumptious Mr Klose, too) with the aplomb of a practised parliamentarian, using his opponents to flesh out his arguments, all a matter

of style rather than substance. He treated Mr Klose with exaggerated deference as he deflated his prose. He rounded on a member of the PDS - the successors to the old East German Communist Party - with a devastating: "With your record after 40 years of socialist dictatorship, I should just shut up."

He skirted over the disagreements and inconsistencies in the policies of the ruling coalition (over asylum, old age care, abortion, state subsidies and the like) and hammered home its principal successes: the political achievement of unification, and the basis of a once-prudent budget from which to pay for it.

At the end of the round, one might sympathise with Mr Klose. Who will believe him when he says he was mugged by a man in a wheelchair. But we saw it happen.

The figures seem to mark the end of a downward trend which took the index for west Germany from a peak of 4.4 per cent in July to 3.5 per cent in October.

September results from the IFO retail industry association also suggest the shopping boom has ended, at least in the west. After adjustment for inflation, sales were 0.6 per cent lower than in September 1990.

Mainstream parties fear Milan poll

By Haig Simonian in Milan

ITALY'S political establishment has suffered a further blow with the collapse of the Socialist-led centre-left coalition council in Milan, opening the way for a period of uncertainty and, possibly, early elections.

An early poll would be particularly harrowing for the major parties after this week's election in the city of Brescia, 90 miles from Milan, where the Lombard League regional party overturned the long-standing Christian Democrat majority to emerge as the largest party.

Mr Umberto Bossi, the leader of the League, confirmed yesterday that it would use its one seat majority in Brescia to form a new council and appoint a mayor.

The League's success, which indirectly triggered the Milan crisis, reflects the dissatisfaction among voters with mainstream parties.

The collapse of the Milan council followed the surprise decision on Tuesday night by four parties, including the reformed Communists and the Republicans, to precipitate a crisis by withdrawing support from the six-party coalition running the city since August 1990. The council had been teetering for months because of political differences between its members and a variety of construction-related scandals.

Should it prove impossible to form a new council within the allotted 60 days, early elections will be inevitable - as happened in Brescia. Given the results there, the main parties, including the Christian Democrats, which in Milan form the main opposition grouping, will do their utmost to prevent another embarrassing electoral defeat.

Yugoslavia's neighbours try to contain the flames

BULGARIA and Hungary have asked for European Community observers on their borders before Yugoslavia begins the civil war in Croatia will spread to their territory.

The requests, made both to the Community and to Lord Carrington, chairman of the EC-sponsored peace conference, are aimed at containing the war and preventing exploitation of the Yugoslav crisis by opposition parties, particularly in Bulgaria.

Mr Stefan Tsvetkov, Bulgaria's deputy foreign minister, said in Paris earlier this week that EC observers had to be sent by the end of the year because he believed Serbia might try to stir up trouble among ethnic Serbs in the republic of Macedonia which borders Bulgaria.

Mr Tsvetkov said, Hungary's foreign minister, was told by EC officials in Luxembourg that Community monitors, already in Croatia, would be also sent to the Yugoslav side of the Hungarian border. "But no decision has been made to send monitors into Hungary itself," a Hungarian diplomat said yesterday.

The requests by both governments follow similar pleas by the authorities in Bosnia-Herzegovina to send observers to this ethnically-mixed part of the country.

Mr François Heisbourg, director of the London-based International Institute for Strategic Studies (IISS), said yesterday: "If there is any effective action the European Community can now take, it is to send observers to those areas where there is still peace."

Over the past three months, the civil war in Croatia has affected Bulgaria and Hungary in similar, and different ways.

Both have been accused by Serbia of trying to annex parts of Yugoslavia. More than

600,000 ethnic Hungarians live in the Serbian-controlled province of Vojvodina, which was part of Hungary before 1918 while Macedonia is currently divided between Yugoslavia, Greece and Bulgaria.

President Jozsef Antall of Hungary, and President Zhelyu Zhelev of Bulgaria, have repeatedly made such claims.

However, Hungary has had

Judy Dempsey, East Europe Correspondent, reports on the threat that the civil war poses to the other countries of the Balkans

more than Serbian propaganda to contend with. Since June 25, when civil war erupted in Croatia following its declaration of independence, more than 40,000 refugees have fled to Hungary. The Budapest government has so far allocated \$180m (£5.75m) from the budget to care for them.

In addition, aircraft from the Serb-dominated Yugoslav federal army have repeatedly violated Hungarian air space.

The Hungarian defence ministry has recently promised improved security arrangements on the border with Yugoslavia, but in the view of Mr Heisbourg of the IISS the country does not have the means to monitor, let alone defend, its air space.

"The Soviet forces, which have been stationed in Hungary (until earlier this year) provided all the radar equipment," he said. "To send monitors to that border would make sense, provided it was a straightfor-

ward monitoring mission which could also deter illegal border crossings."

Bulgarian diplomats also claim that the EC monitors' role, apart from containing the war, might also contain the exploitation of the situation by the Bulgarian Socialist (ex-Communist) party. "The former Communists are now riding the nationalistic wave," said one. "They are trying to reawaken the idea of a Greater Bulgaria, which would include Macedonia. This is exactly the kind of propaganda which Serbian television is putting out."

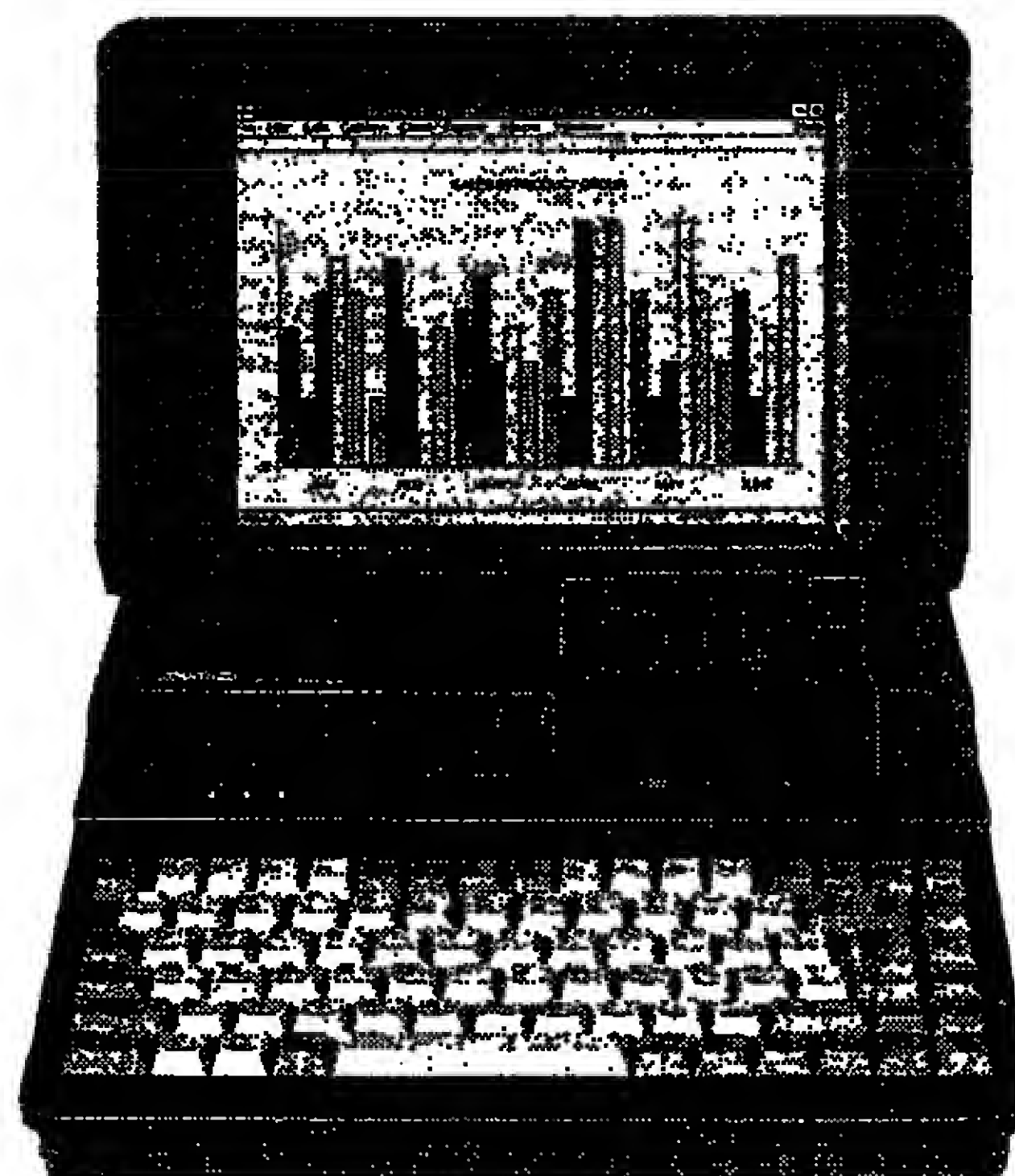
In Macedonia, the government has tried to distance itself from both Croatia and Serbia, for fear that Mr Slobodan Milosevic, the Serbian president, will encourage the 45,000 Serbs in the republic to demand autonomy, and try to make those Serb-inhabited region of Macedonia part of a Greater Serbia.

"If this happened, the nationalists in Bulgaria would then try to reclaim part of Macedonia. This would undermine our stability in all sorts of ways," the diplomat said. "The nationalists would then provoke the ethnic Turks in Bulgaria, who might then try to seek their own autonomy. It is a terrible nightmare."

Other diplomats said the 377,000 ethnic Albanians in Macedonia could also be provoked into seeking closer links, not only with the ethnic Albanians in the (Serbian controlled) province of Kosovo, but with Albania as well.

Mr Heisbourg said: "We must not make the mistake that this war can be contained to Croatia. There are huge potential trouble spots, which could affect the entire stability of the Balkans. The civil war must be prevented from spilling into other parts of Yugoslavia, and the whole region."

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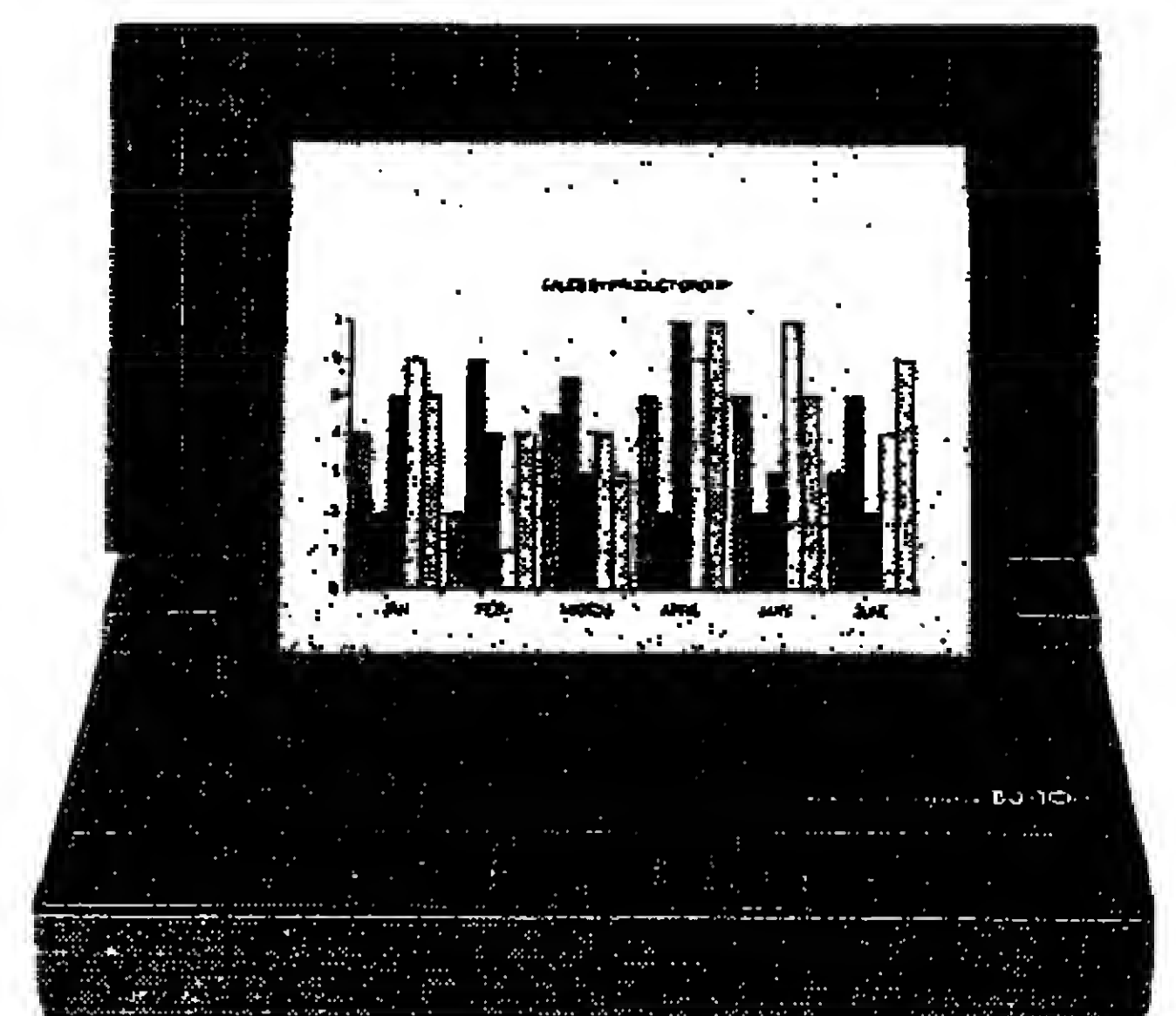
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INTERNATIONAL NEWS

Israel challenges US peace process

By Hugh Carnegie in Jerusalem

ISRAELI yesterday challenged US conduct of Middle East peace talks when it refused to attend negotiations in Washington on the date proposed by the Americans, and reiterated its demand that meetings in the US capital be quickly moved to the region or close by.

At a cabinet meeting convened by the prime minister, Mr Yitzhak Shamir, the government said it was willing to resume in Washington talks begun at the Madrid peace conference late last month. But it said that the bilateral talks with Syria, Lebanon and a joint Jordanian-Palestinian delegation should begin on December 9, not December 4 as proposed by the US, and should not be prolonged. "Israel is ready to hold one or two meetings in Washington so that later negotiations will be conducted in the region or close to it," a government statement said.

The cabinet made no mention of an earlier demand that the talks in Washington be confined to procedural issues. It also suggested that the date proposed by Mr James Baker, the US secretary of state, in invitations sent out last week was inconvenient because of the Jewish festival of Hanukkah, which does not end until December 9.



Foreign Minister David Levy explaining Israel's stance

But the cabinet decision was clearly calculated to confront what the government perceives as a hostile attitude towards it by Mr Baker and President Bush. Mr Shamir and his ministers were angry that Washington did not take account of their objections to holding indefinite, simultaneous bilateral talks in Washington, asking instead for unconditional yes or no answers to the invitation. Their stance was condemned

as petty and self-defeating by opposition leaders who warned against conflict with Washington. But the government statement said the US terms would establish a pattern similar to that of an international conference which Israel had always sought to avoid.

It said the Arab parties wanted to co-ordinate their positions against Israel and avoid as far as possible genuine face-to-face bilateral negotiations.

UN in appeal for Afghan funds

By Farhan Bokhari in Islamabad

THE United Nations agency channelling assistance to Afghanistan yesterday launched an international appeal for \$94.1m (£33.1m) in support of Afghan reconstruction programmes for next year.

The Office for the Co-ordination of Humanitarian Assistance to Afghanistan also appealed for supplies of 51,000 tonnes of wheat to prevent food shortages. In his annual

report on the Afghan reconstruction programme, Mr Benon Sevan, a UN envoy, says the money is needed to clear about 10m mines which had killed 200,000 people and maimed another 400,000 during the country's 13-year civil war.

Land under cultivation has been reduced by 40 per cent. Life expectancy for women is 42 years while infant mortality for children under five is 298 per thousand. Responding to questions about recent reports on the misuse of UN funds, Mr Sevan said some of the funds had been unaccounted for because of difficulties in maintaining bank accounts in Afghanistan.

They had now been accounted for, he said, and a committee of the UN's general assembly is due to receive a report on the issue, next week.

S African cauldron of tribalism and politics

Faction fighting in the mines could claim many more victims, writes Patti Waldmeir

MR Makaya Ziwele's face is a mess of crushed bones and broken skin, and he cannot breathe without a ventilator. But the doctors say he will survive - unlike 84 of his colleagues at the President Steyn gold mine near the South African town of Welkom, killed in the last three weeks in faction fighting which could yet claim many more victims.

The fighting at the mine - the latest swell in a wave of violence which has swept South Africa since early last year - cannot easily be explained. Like almost every other incident of black-on-black violence, tribalism and politics, economic hardship and social strain combine to provoke men to murder.

Nobody knows why that lethal cocktail - present, to some degree, in every mine in South Africa - should have exploded only at President Steyn, one of the Anglo American Corporation's mines in the Orange Free State. The immediate cause was clear: a dispute between miners over whether or not to support the country's two-day general strike early this month. In the only serious incident of violence provoked

South Africa's ruling National Party faces possible defeat in a parliamentary by-election to be held today in the conservative Orange Free State constituency of Virginia, writes Patti Waldmeir.

The National Party won Virginia in the 1989 general election by a margin of 47 votes, but unhappiness with the political reforms introduced since then has led to a surge in local support for the ultra-right Conservative Party. The Virginia result could affect government plans to hold a referendum for white voters, as early as next year, to ratify reforms.

by the strike, which union officials say was supported by more than 3m workers, 15 men died at President Steyn.

Outside a disused mine hostel, where refugees from the fighting are being housed, a group of about 100 gathers to tell their stories.

The men, highly politicised Khosas loyal to the African National Congress (ANC), chorus their replies: they were attacked because they support the ANC and its affiliate, the

National Union of Mineworkers (NUM). Several kilometres away, in President Steyn's number four shaft hostel, where much of the fighting has concentrated, the rival group - Basotho miners from the independent state of Lesotho who are ethnically related to South Africa's Sotho tribe - are segregated to keep the peace.

As foreigners, they want nothing to do with the ANC, or with the general strike which it sponsored to protest at the imposition of value-added tax in South Africa. "VAT has got nothing to do with us," says an articulate Basotho spokesman, who requests anonymity to avoid reprisals. "We joined the NUM because it was a union of mineworkers, not a political organisation."

Despite orders from the ANC that compliance with the strike call should be voluntary, Khosas workers attacked a Basotho miner who tried to go to work as normal. The Basotho retaliated, and like in so many South African townships, normal life was sucked into a vortex of violence.

Both sides agree that the fighting is now highly tribal. On one level, it is scarcely

surprising that tribal violence should flare in the mines, where mining companies long kept workers in accommodation segregated by tribe. But miners at President Steyn's single-sex hostels - institutionally uneasy but far more pleasant than the blackened and broken down hostels where so much township violence has focused - have always been integrated. Nonetheless, Khosas and Sothos have regularly battled at President Steyn.

According to anthropologist and labour consultant, Mr Kent McNamara, violence between black miners left 386 dead between 1974 and 1988. Basotho miners, who have dominated among the supervisory "team leaders" - or "boss boys", as they used to be called - have often clashed with Khosas workers from the Cape province and the nominally independent Transkei homeland.

Both are migrants, but the Basothos have a longer history of mine work, and occupy jobs with a higher status. As foreigners, they feel vulnerable about their jobs in a troubled industry, and though well-rep-

resented in the union, they are unwilling to incur disciplinary action by supporting political strikes.

Tribal, class and political tensions were no doubt exacerbated by the simple fact of hostel life: thousands of men live together in communal rooms, migrants who see their families only infrequently. Sex is clearly a problem - as is seen from an anti-Aids poster in number four shaft hostel - as is boredom and overcrowding.

Company spokesmen fear violence could spread to other gold mines, with 94,000 Basotho miners forming a large chunk of the industry's 308,000-strong workforce. At President Steyn, the danger is clear: both sides say they can no longer live together. "Even if they (the Khosas) come back, they will still want us to join the ANC," says the Basotho spokesman.

"They can kill us before we will join the ANC," he adds. The Khosas - who have come off worst in the fighting - say they too want to remain segregated. They are openly planning revenge, to keep the cycle of violence at President Steyn active for some time to come.

Branches likely to be allowed rather than subsidiaries

Australia may ease rules for foreign banks

By Kevin Brown in Sydney

OVERSEAS banks are likely to be given easier access to the Australian market and permission to operate as branches rather than subsidiaries following a report published yesterday by a parliamentary inquiry into the banking system.

Mr Stephen Martin, the Labor chairman, said the changes would bring Australia into line with other financial centres and help increase reciprocal opportunities for Australian banks.

The recommendations are likely to be approved by Mr John Keir, the treasurer (finance minister), who has previously indicated sympathy for further deregulation of the banking system.

The report says the Australian market should be open to banks based in countries which offer reciprocal access to Australian banks, subject to their ability to meet prudential requirements to be specified by the Reserve Bank.

Foreign banks would also have to offer protection for depositors similar to that offered to depositors with Australian banks.

Overseas banks were allowed to enter the Australian market in the early 1980s, when 18 licences were issued as part of the process of deregulating the banking industry. However, they were required to operate as subsidiaries, with their own capital, rather than as branches trading on the capital of their parent companies.

National Westminster, Barclays and Deutsche Bank were among a number of foreign banks which told the inquiry they were unable to compete with the domestic banks because of their higher cost of funds.

The committee said it was clear that branch banks would have a broader capital base and improved fund raising capabilities. It said the Reserve Bank was confident it could devise "suitable arrangements" to supervise branches.

Foreign bankers said the changes would attract more banks to Sydney, in line with government attempts to promote the city as a leading Asia-Pacific financial centre.

However, some said the report had failed to clarify the proposed mechanism

for prudential supervision and deposit protection. Mr Richard Webb, chairman and chief executive of Barclays Australia, said the bank would probably establish a branch if the rules were changed, but would not decide "until there is a little more flesh on the bones" of the report.

The committee's conclusions on foreign banks were in line with other recommendations intended to increase competition in the banking market, which is dominated by four national trading banks. They include:

- increased disclosure of margins and charges;
- easier access to banking licences and inter-bank payment systems for building societies and credit unions;
- an inquiry into credit card interest rates;
- and detailed scrutiny of merger proposals between financial institutions to prevent diminution of competition.

The report was welcomed by the Australian Bankers' Association, which said it had avoided "the clichés of bank bashing".

Moi critics have charges dropped

THE Kenyan government yesterday dropped charges against four of its critics arrested two weeks ago for planning to hold a pro-democracy rally, court sources said, Reuters writes from Nairobi.

The four, including Mr Jaramogi Oginga Odinga, a former vice-president and Mr Paul Muite, a leading human rights lawyer, were among at least a dozen opposition leaders arrested as the government moved to stop the banned November 15 meeting in Nairobi.

President Daniel arap Moi said on Tuesday that Mr Amos Wako, the attorney-general, should review the cases of those arrested.

Meanwhile, members of the opposition group which organised the rally, the Forum for the Restoration of Democracy (Ford), yesterday welcomed a decision by western donors to delay aid to Kenya pending economic and social reforms.

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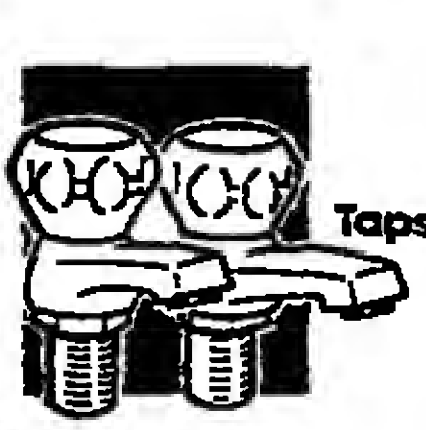
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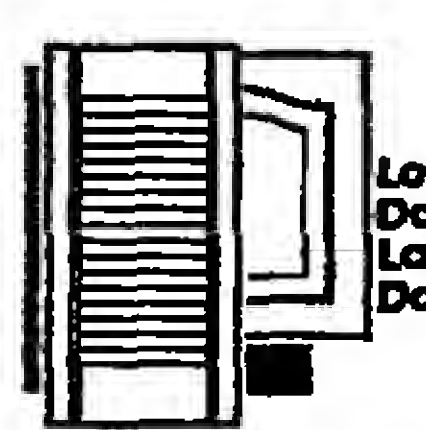
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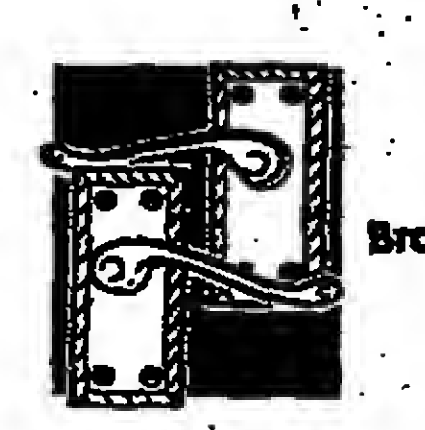
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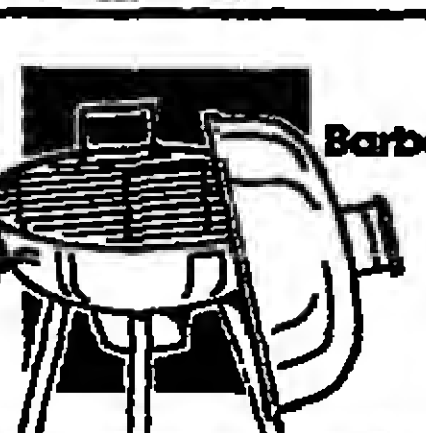
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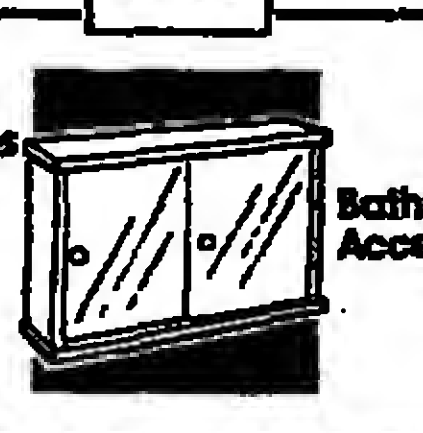
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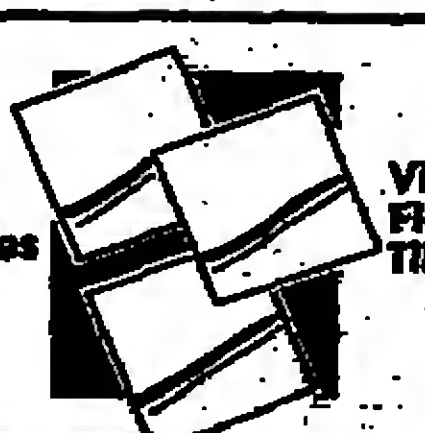
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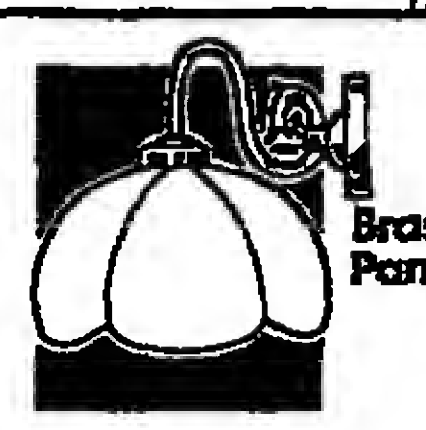
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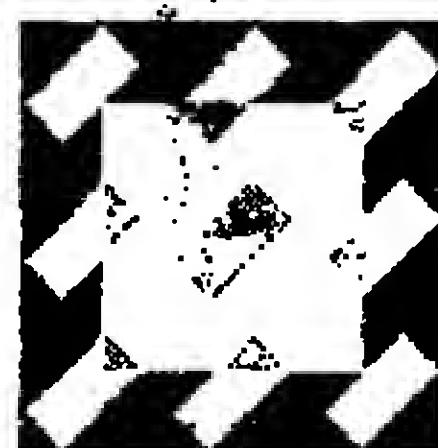
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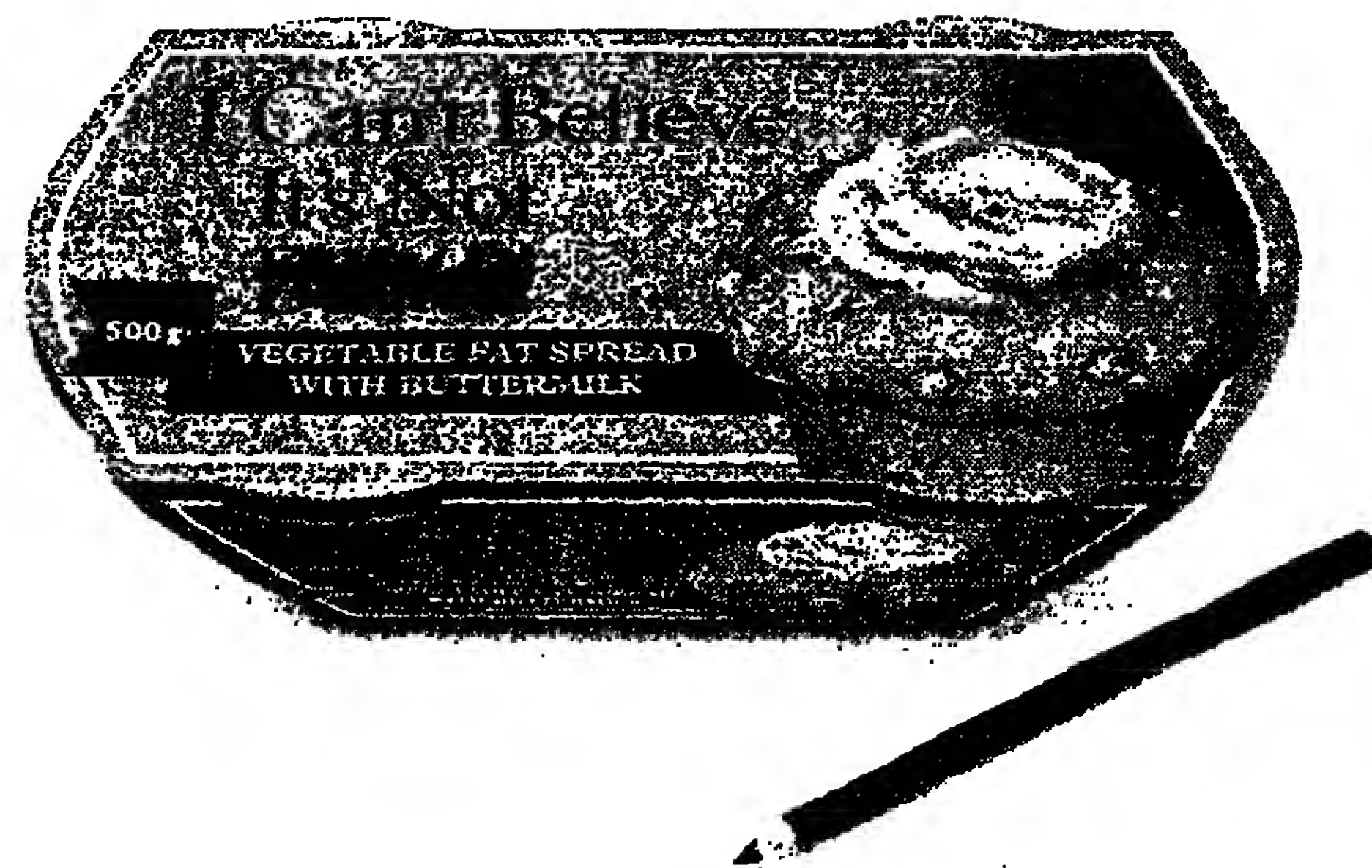
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Cambodians rush headlong to market

Committed capitalists are nervous about the lack of controls, writes Victor Mallet

CAMBODIA'S headlong rush from Marxism-Leninism has become so frantic in the last few months that even committed capitalists are nervous about the future of an uncontrolled and unintentional experiment in extremist free-market economics.

The formal economy has almost ceased to exist following the signing of the October peace accord that relegated the Vietnamese-installed government of Prime Minister Hun Sen to a caretaker role until UN-sponsored elections in 1993. The process set in train by the peace agreement was put in question yesterday when Khieu Samphan, a Khmer Rouge leader, was beaten up on his return to Phnom Penh. He was flown back to Bangkok.

Amid uncertainty about the nature of a future government, such commercial and financial regulations as do exist are widely ignored. Smuggling and corruption are rife, and foreign entrepreneurs are hurriedly exporting tropical hardwoods and buying state property from officials who apparently have no right to sell.

"Hun Sen is the best son of Margaret Thatcher," says Mr Raoul Jenner, a Brussels-based consultant. "It's real liberalism. In fact they are selling everything now." Cambodia, in the words of a Soviet diplomat, is "one of the freest markets in the world. In fact it's a free-for-all."

The results are startling. Phnom Penh, the capital, is experiencing an economic boom as foreign aid workers, UN officials and businessmen re-enter the country after 20 years of civil war. The streets are packed with new motorcycles and second-hand cars from Thai-

land, refuelled by roadside stalls selling petrol in old Fanta bottles. Traders are frantically refurbishing their premises.

Investors have focused on oil exploration - some deals have already been signed - and on tourism, while Cambodians of Chinese origin, with family connections in Singapore, Thailand and elsewhere, are taking the lion's share of the import-export business. One Thai

'Cambodian officials are selling property they have no right to sell. They are selling everything. It's one of the freest markets in the world. In fact it's a free-for-all'

bank has set up a joint venture.

"It's almost the last part of the region to open up," said Mr Paul Prescott, executive director of The Assana Hotel Corporation, which is embarking on a \$2m renovation of the Grand Hotel near the famous Khmer temples of Angkor Wat, and planning to spend a further \$15m-\$20m on expanding the hotel.

Assana is a consortium including Thai, Israeli, Australian and Cambodian investors.

"It's a gamble, but it's first-come, first-served," he said. "People compare it to Bangkok maybe 40 or 50 years ago. Dairy produce, Coke bottles, you name it - it's not here yet."

Prince Norodom Sihanouk, the newly returned hereditary monarch who heads the interim Supreme National Council, is enthusiastic about economic developments. "We are going to imitate Thailand in order to go fast towards development and prosperity," he told a news conference in the Royal Palace.

Tariffs are low and not always

enforced, and prices for imported luxuries are as low as anywhere in the world. Goods are smuggled into neighbouring countries such as Laos and Vietnam, where tariffs are higher and some luxury imports are banned. It all began in 1989, when the government officially recognised the existence of the private sector and liberalised agriculture, paving the way for the privatisa-

tion of a state bicycle factory and other businesses. At the same time the trading relationship with Moscow and the Communist bloc started to collapse along with the Soviet Union.

But rampant free-marketising has brought its problems. Inflation is running at several hundred per cent for some products and services, and growing corruption was inevitable in a civil service where typical wages for junior staff amount to between \$5 and \$10 a month. Cambodian officials, aid workers and diplomats are concerned about the economy's inability to absorb foreign assistance because of the loss of the many skilled people killed or exiled during the Khmer Rouge reign of terror between 1975 and the Vietnamese capture of Phnom Penh in 1979.

They are also worried by the contrast between the relative wealth of the capital and the poverty in rural areas. "There is Cambodia, there is Phnom Penh, and there is the Cambodians (the capital's only luxury hotel)," said one

aid worker who makes artificial limbs for land-mine victims.

The situation is often compared to the corrupt era of Lon Nol, the US-backed Cambodian leader overthrown by the Khmer Rouge 16 years ago, and it is feared that rural resentment will garner support for the anti-urban Khmer Rouge guerrillas. The government hopes that peasants will profit from the peace by selling more produce. Another fear is that Cambodia, even if it is successful, will make the same mistakes as Thailand, irreparably damaging its environment and ignoring infrastructural development until it is too late.

There are no reliable statistics about the state of the Cambodian economy, although the country's per capita Gross National Product certainly remains one of the lowest in the world. In the ministry of commerce, figures for dollar-denominated exports and imports are simply added to rubble exports and imports to give apparently meaningless totals in "rubble-dollars".

Mr Khieu Kanarith, a writer and former politician, says that nobody is in control of the economy. "Many people in the government have the wrong idea about the market economy," he said. "They think that by liberalising the economy they can solve everything - like a wonderful drug of which you take one pill and you can cure everything - but it's not right."

Some people are certainly doing well in Phnom Penh's cash dollar economy, but as one locally-based trader said: "It's only a few rich people making money. It is the law of the jungle." Editorial comment, Page 12



South Korea's opposition members pose as parliament began a sit-in protest yesterday. The opposition Democratic Party claimed that President Roh Tae-woo's ruling party had forced disputed bills through parliament on Tuesday night - a move which led to fist fights.

Iraq 'is breaking UN export ban'

IRAQ is breaking a UN ban on exports by moving large quantities of equipment such as bulldozers across the border to Iran, a US Senate report said yesterday, Reuters reports from Washington.

being among contraband waiting to cross the border.

The report also accused Iraqi President Saddam Hussein's government of extensive atrocities against the Kurds. Mr Claiborne Pell, committee chairman, called for strict enforcement of sanctions and limited military aid to opponents of the regime to help force Mr Saddam from power. Mr Galbraith said that from

the evidence he found at Haj Omran, on the Iranian border, "it is clear that Iraq is exporting its infrastructure to Iran at fire-sale prices".

Mr Galbraith said he saw in the town more than 30 large bulldozers, at least seven giant cranes, steam shovels and hundreds of big dump trucks, while parked along the road leading to the border were trucks laden with machinery.

China's communist old guard puts faith in nepotism

By Yvonne Preston in Beijing

THE delayed plenum of the Chinese Communist Party central committee has opened with the future of communism and the handing of power on to the children of party elders high on the agenda.

A meeting of the full central committee, which must take place before the end of the year, is expected to decide the next generation of China's leaders to ensure the party stays firmly in the hands of loyal Marxists.

Nepotism is a deep-rooted tradition in China closely associated with imperial China's mandarinate, and the plenum is expected to endorse the wholesale elevation of the children of party elders to top jobs, securing their inheritance when their octogenarian backers finally depart the scene.

The communist system faithfully echoes the old Chinese proverb, "when a man becomes an official, even his dogs and chickens go to be reared to build".

China's premier, Li Peng, is the adopted son of Zhou Enlai. New members of the party's ruling politburo, to be decided at the plenum, are expected to include Vice-Premier Zou Jiahua, son-in-law of the late Marshal Ye Jianying, and Yang Baibing, the brother of President Yang Shangkun.

The plenum is the last chance for the old guard to act on behalf of their chosen successors before the 14th party congress, to be held next year, formally anoints the leadership for the next five-year period.

The sons and daughters of the "third wave", sometimes known as the Gang of Prince-lings, include Chen Yuan, son

of conservative economic guru Chen Yun, and Deng Yingtao, son of conservative ideologue Deng Liqun.

Between 30 and 50 members of the "faction of sons and brothers of senior cadres" are said to be headed for Central Committee membership.

During its three or four days of talks the plenum is also debating agriculture, with the leadership acutely aware of the contribution made by food scarcity to the collapse of communism in the Soviet Union.

Problems loom in the sector with the impending end to the 15-year period initially prescribed for the household responsibility system which replaced the communes in 1979.

Peasant farmers are anxious that the system which has helped enrich many of them will revert to collectivisation. Though this is unlikely, some element of the collective will have to be restored to build and maintain irrigation works and to ensure the state is supplied with sufficient grain.

The plenum is also expected to endorse the controversial Three Gorges dam project on the Yangtze River, despite strong international opposition from environmentalists.

Observers are divided about whether the new politburo members will be named when the plenum ends or only at next year's 14th party congress. The speculation is there will be four, among them Vice-Premier Zhu Rongji and Foreign Minister Qian Qichen. Their appointments would see the pro-reform strength of the politburo increased.

Japan leads Hong Kong manufacturing investment

By Angus Foster in Hong Kong

JAPAN has emerged as the largest investor in Hong Kong manufacturing, eclipsing the US for the first time.

Japan's total investment in Hong Kong manufacturing rose to HK\$9.75bn (\$1.2bn) in 1990, equal to 31.5 per cent of total foreign investment, pushing the US into second place with HK\$9.47bn. China was the third largest source of foreign investment. Britain came fourth.

Japan has greatly increased investment in Hong Kong and in other South East Asian countries since the mid-1980s when Japanese manufacturers were adversely affected by the rising yen.

Hong Kong now ranks second to Indonesia as a location for Japanese investment, a statistic lauded by the Hong Kong government as proof of Japa-

nese confidence in Hong Kong's future.

The Japanese investment has mainly been directed into electronics and electrical products.

However, Japanese businessmen have also been investing in southern China, where much of Hong Kong's manufacturing is now located, although this investment is not reflected in the Hong Kong figures.

The latest statistics, released by the Hong Kong government yesterday, provide mixed pointers for the colony's attractions as a manufacturing centre. Although overall foreign investment gained slightly to HK\$30.93bn, the rate of increase fell for the second year running and investment from the UK, the Netherlands and Australia either remained static or fell.

Bhopal criminal case opens

AN INDIAN court yesterday opened hearings in a criminal suit arising from the lethal gas leak which blanketed the central Indian city of Bhopal in 1984 in the world's worst industrial disaster. Reuters reports from Bhopal.

Defendants in the case are the former chairman of the US-based Union Carbide Corporation (UCC) and eight executives of its Asian subsidiaries. The chief magistrate of Bhopal, Mr Gulab Shrivastava, said a proclamation declaring

the former UCC chairman, Mr Warren Anderson, "an absconder from justice" should be posted. Indian officials say more than 3,800 people have died in Bhopal as a result of breathing lethal gas leaked from the UCC plant.

India's Supreme Court last month paved the way for the criminal suit when it upheld the \$470m civil settlement. But the court overturned the part of the settlement which gave the company and its executives immunity from prosecution.

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WORLD TRADE NEWS

Opening of \$1,700bn public procurement market near

By William Dullforce in Geneva

AN AGREEMENT on public procurement that would open up a potential market of some \$1,700bn (£960.4bn) a year to international competition is within the grasp of negotiators working in the shadow of the Uruguay Round multilateral trade talks.

Over the past three months the European Community, the US, Canada and Japan have significantly narrowed their differences on how to revise and expand the code of the General Agreement on Tariffs and Trade (GATT) on government procurement.

Although the crucial issue of how to liberalise telecommunications has still to be resolved, "the mood has changed and agreement by the end of the year is no longer a pipe dream", according to Mr David Hayes, the talks chairman.

Japan, in particular, has modified its earlier stance while the US administration has been working hard to change attitudes among its state agencies that earlier appeared to impose an insuperable obstacle.

The Gatt code established an international framework for the regulations and procedures to be used in government procurement where discrimination in favour of domestic enterprises has been the common practice.

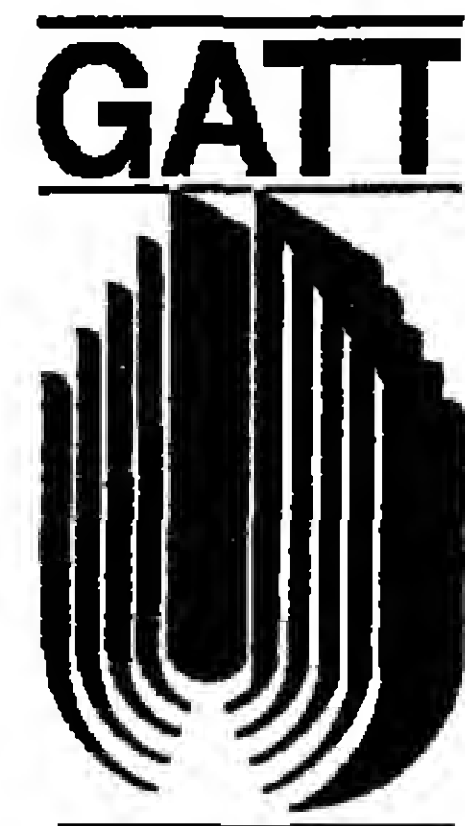
At present the code applies only to buying by central governments, covers only contracts worth more than SDR130,000 (£100,750) and is adhered to by only nine EC member states, the US, Japan, Canada, Austria, Finland, Hong Kong, Israel, Norway, Singapore, Sweden and Switzerland.

These countries have been negotiating an extension of the coverage to regional and local authorities and to public utilities in telecommunications, power, water and transport.

Another objective has been to encourage more countries to sign the code. The talks are not formally part of the Uruguay Round but have been conducted under its umbrella; they came to a standstill when the Round almost broke down last December.

Now a revival of discussions among the four big powers has led to breakthroughs on some smaller issues and raised the prospect of results on the major issues. A draft legal text was presented to the four last week.

In principle, they have accepted that the code should be extended to regional



authorities and to utilities.

The EC and US are negotiating bilaterally the removal of the remaining obstacle which concerns the US demand for access to the EC countries' procurements of telecommuni-

cations and heavy electrical equipment and the EC's counter-demand for access to US state authorities, particularly urban transport contracts, and to regional telecommunication companies.

Washington wants the code's contract threshold lowered to SDR50,000 while the EC has stuck to SDR130,000 in its recent internal directives. Last week Japan announced that it would reduce its threshold to SDR100,000 for foreign bidders.

Mr Hayes reports broad agreement on the inclusion of challenge procedures under which suppliers would be able to test any aspect of a procurement process.

All countries except the US agree to include a "self-denial" clause under which governments commit themselves not to impose discriminating mea-

sures, such as Buy American or Buy British instructions, on their procurement bodies. When coupled with the code's general non-discrimination obligation this clause could be a potent instrument for opening up markets to foreign suppliers.

The principle of extending the code to include government procurement of services in no longer disputed.

A compromise over which services to cover calls for the drawing up of a "universal list of tradeable services" on the basis of which countries would indicate those they wanted to include or exclude.

Construction services, where Japan is reluctant to include those bought by sub-federal public bodies, are likely to be dealt with separately and to carry a higher threshold, probably of SDR4.5m.

Hills starts to draw up China export hit-list

By Nancy Dunne in Washington

MRS Carla Hills, US Trade Representative, yesterday began selecting hundreds of millions of dollars worth of Chinese exports for potential sanctions, on grounds that Beijing had failed to protect intellectual property rights adequately.

After six days' talks, US and Chinese teams failed to agree on US complaints in time for a US-imposed deadline of Tuesday night. China's ministry of foreign economic relations and trade expressed "deep regret", and claimed negotiators had come to Washington with "a sincere and co-operative attitude". It called potential sanctions "unfair" and said the Chinese were not to blame for the talks failing.

Sanctions, probably 100 per cent tariffs, could equal the cost to US industry of lost sales due to lack of trademark, copyright and patent protection. US businesses see losses of \$300m (£170m)-\$400m on computer software, and \$118m in sound and video-recording sales. The pharmaceutical and chemical industries see their losses at \$160m a year due to patent infringement. The list of potential sanctions was to be put out by Mrs Hills' office late yesterday. It could lead to sanctions by China and more retaliation ending what were until 1987



Hills: more inquiries

better trade ties. Mrs Hill's office is also investigating market barriers under Section 301 of US trade law.

President Bush stays reluctant to move against Beijing whose co-operation he was on nuclear non-proliferation. But he has been urged by the US Congress, to move against a revocation of China's Most Favoured Nation status. The sanction list would have been put on month ago, but was delayed to allow China time for a change of heart.

Congress backing for Soviet MFN comes as too little too late

CONGRESSIONAL approval of favourable trade terms for the Soviet Union is on its way to the White House almost 10 weeks after it was requested, Nancy Dunne reports from Washington.

It paves the way for President George Bush to grant Most Favoured Nation trade status to the Soviet Union, to

provide the lowest tariff rates available, and shows he did not win his reputation for caution without due cause.

MFN will arrive in the Soviet Union, where it still must be ratified by the shaky Soviet legislature months, if not years, after it might have made a contribution to Soviet economic reform.

For the past three years, US business interests have been urging MFN status for the Soviet Union. Convinced that President Mikhail Gorbachev wanted change in superpower relations, they hoped to push the process along. Even Congressman Charles Vanik, one of the authors of the Jackson-Vanik amendments, which

linked MFN to emigration in the 1970s, urged the status be granted.

But the White House delayed, using MFN as a carrot to win concessions in arms cuts and other areas. With much fanfare President Bush signed the bilateral trade treaty with Mr Gorbachev in June 1990, but insisted it would

not go to Congress until Moscow codified a free emigration policy.

MFN had been granted to other Communist countries, but none had been compelled to codify a law which, in the bad old days of the Cold War, would most likely have been a meaningless piece of paper. Emigration from the Soviet

Union had reached such levels that it had to be limited.

The Soviets were expected to gain little immediately from their exports from MFN. About half of Soviet products already entered the US duty-free. But US business saw potential for a huge Soviet market if the reform process could be stabilised.



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Hong Kong fears damage

HONG Kong braced yesterday for the US announcement of which Chinese goods will be listed under Special 301 provisions, while businessmen said growing US-China trade friction threatened serious damage to the colony, Angus Foster writes from Hong Kong.

The Hong Kong government expressed concern at the US move. Much of the colony's manufacture has shifted to southern China since the mid-1980s, while almost 80 per cent of China's \$15.2bn (£8.5bn) worth of exports to the US last year went through Hong Kong.

Mr Warren Williams, president of the US Chamber of Commerce in Hong Kong, he hoped the US would minimise hurt to Hong Kong. The US move is the shock for Hong Kong comes this week. On Monday, consumer and labour groups announced a boycott of Chinese-made toys for the Christmas shopping period, alleging China uses child labour make them. Hong Kong companies rely on southern China for cheap labour, perhaps employing 750,000 workers across the border.

Call for Sweden to back east European investment

By Robert Taylor in Stockholm

SWEDISH industry wants the country's new non-Socialist government to underwrite its new private investment projects in eastern and central Europe with at least Skr1bn (£288m) a year in credit guarantees until 1996.

The Federation of Swedish Industries said yesterday many companies were reluctant to invest in the area because of its uncertain outlook. Investment protection should be made with the Swedish government to lessen the risks involved in developing trade links with the country's eastern neighbours, it added.

The federation wants the Swedish government to provide Skr1bn a year for five years in aid to central and eastern Europe. It points out that Sweden has a good

resource base for telecommunications, transport, food distribution and processing.

Until now, financial support from the Nordic countries has not matched their arduous task of helping the newly-independent nations. Two years ago, the Swedish government launched a Skr1bn three-year aid programme, but is now preparing a new financial package to help its small eastern neighbours.

The federation wants to improve economic growth the area through agreements by Sweden's export credit guarantee board (RIS) contain an investment, guarantee clause. Industrialists favour Sweden negotiating free trade agreements with EFTA, Poland, Hungary, Czechoslovakia and the Baltic states.

NEWS IN BRIEF

Sharp fall in export of Japanese vehicles

JAPANESE exports of four-wheeled vehicles to Europe in US fell steeply in October, with sales to Germany alone plummets by 41.6 per cent, Steven Butler reports from Tokyo.

Worldwide exports fell 7.1 per cent to 478,140 vehicles pared to a year ago. Although sales to the US, which fell 1 per cent, have been sluggish for some time, sales to Germany have been brisk. Exports to the European Community were down 10.3 per cent. Exports of small cars were down 10.3 per cent. Japanese car makers' invasion of the luxury market, with sales up 2.8 per cent to 118,580 units for cars with displacement over 2,000 cc.

Air France plea on competition

Air France, France's national airline, is not ready to face fiercer competition from big US carriers and will need protection to enable it to adapt, Mr Bernard Attali, the company's chairman, warned, George Graham reports from Washington.

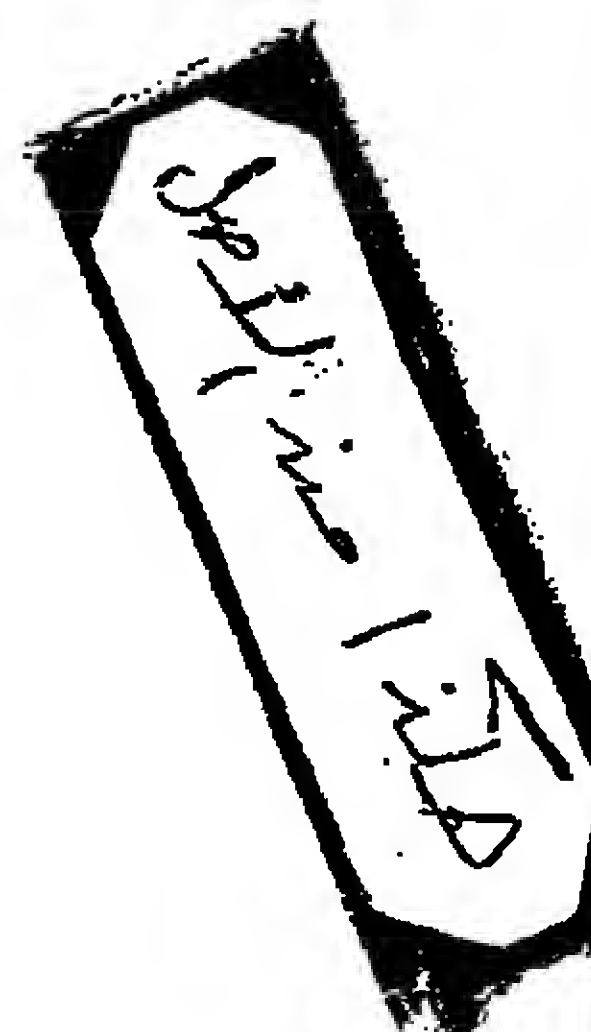
At the International Aviation Club in Washington Mr Attali called for an extension of the 1990 Franco-US aviation pact expire next October. Mr Attali said Air France was already considerable transatlantic competition, with nine US expected to fly to France next year from 16 US gateways.

Great Belt drilling halted

MT Group, the contractor constructing the accident-prone rail tunnel under the Great Belt entrance to the Baltic, is drilling until a reassessment has been made of safety. Hilary Barnes reports from Copenhagen. The group is Denmark's Monberg & Thorsen, Camponen Bernard and S of France, Dyckerhoff & Widman of Germany, and Kiewit of the US. The group's decision has caused confusion in ministerial and business circles. The DKR3.1bn (£288m) tunnel is part of a DKR19m project to construct road links between Sjælland and Jutland.

Study into Sea of Japan cable

A feasibility study is to be carried out on the technical and economic aspects of laying an optical fibre telecommunication cable across the Sea of Japan between Vladivostok on the Russian Pacific coast, Japan and Korea, Hilary Barnes reports. The cable would mean a big increase in communications between eastern Russia and the rest of the world. This will be made by Denmark's Great Northern Telegraph Co and the Danish state's Telecom agency together with the telecommunications agencies of Russia, Japan and Korea.



Figures show drop in US consumer spending

By Michael Prouse in Washington

A FALL in US consumer spending last month indicated yesterday that sharply lower consumer confidence is affecting purchasing decisions and could herald a grim Christmas season for retailers.

Forecasters, however, remained uncertain whether the US economy is temporarily stalled or on the brink of another recession. The confusion was increased by other data - including a rise in orders for durable goods and sharply lower claims for unemployment insurance - that appeared to send a conflicting signal of economic resilience. However, these indicators were heavily distorted.

The Commerce Department said consumer spending fell 0.3 per cent last month, the biggest drop since April. Financial markets had been expecting a slight rise in consumption, which accounts for two-thirds of economic activity. The personal savings rate rose, another sign of apprehension among consumers.

Personal income rose a marginal 0.2 per cent last month

but this reflected distortions, including a big increase in subsidies for farmers. Excluding special factors, it fell 0.1 per cent. Wage and salary income contracted.

New orders for durable goods rose 3 per cent last month, an apparent relief after revised declines of about 4 per cent in both August and September. However, the increase largely reflected a surge in orders for defence transport equipment, which is notoriously volatile on a monthly basis.

Excluding transportation, orders rose only 0.1 per cent and were down nearly 6 per cent on an annual comparison. Orders for non-defence capital goods, excluding aircraft, fell 0.1 per cent, the best guide to future capital investment trends - fell 1.9 per cent.

Initial claims for unemployment insurance, a closely followed indicator of employment trends, fell 80,000 to 413,000 in the week ending November 16, wiping out a sharp increase in the previous fortnight. However, the latest week's figures

were distorted by the Veterans Day holiday and probably did not reflect the underlying trend.

The four-week moving average for claims rose to 445,000, having drifted higher since July, when it reached a low of about 400,000. Many economists regard 450,000 as a break point: a sustained move above this level is seen as a sign of recession.

Balance of payments figures yesterday confirmed a sharp deterioration of the merchandise trade deficit in the third quarter. A 4 per cent increase in imports - mainly cars and consumer goods - pushed the deficit to \$20.5bn, compared with \$15.4bn in the second quarter.

The trade figures were consistent with a modest economic rebound in the third quarter, but do not contradict more recent evidence of economic stagnation. Exports increased 1.1 per cent between the two quarters, indicating that overseas sales are unlikely to provide much stimulus for the stalled economy.

Washington compromise on bank reform

By George Graham in Washington

THE House of Representatives yesterday passed a bill to overhaul US banking regulations and to provide more money for bank deposit insurance, after a marathon nine-month legislative session.

The compromise bill, finally hammered out after all-night talks between Senate and House negotiators, will bring some significant changes to the way bank supervisors handle weak banks. But it stymies almost completely the US Treasury's efforts to allow banks to expand into businesses such as insurance, stockbroking and real estate.

It also kills a measure to

allow banks to open branches outside their home states, a move which the Treasury had argued could save the faltering banking industry as much as \$10bn a year in unnecessary administrative costs.

The heart of the bill, finally agreed by a Senate-House conference at 5.30 yesterday morning, is the recapitalisation of the insurance fund, managed by the Federal Deposit Insurance Corporation (FDIC), which guarantees US depositors' funds if their bank should fail.

The bill provides:

- The bank insurance fund's line of credit at the Treasury will be increased to \$30bn from \$20bn.



Brady: urged reform

\$5bn. These borrowings are to be repaid in 15 years out of insurance premiums paid by the banks.

● The fund may also borrow working capital up to 80 per cent of the value of its assets, which could increase its overall borrowings to \$70bn.

The bill also regulates the way bank supervisors, including the Federal Reserve and the FDIC, must oversee the bank system and deal with weak banks.

● Banks must be examined at least once a year, with a federal examination at least every other year. Well-capitalised institutions with assets of less than \$100m may be examined only every 18 months.

● Prompt intervention by regulators will be required if banks fall below specified capital adequacy levels. Undercapitalised banks will be prohibited from distributing dividends, paying bonuses to executives or seeking brokered deposits.

● The FDIC will have to deal with failed banks in the cheapest possible way for the deposit insurance fund, and from 1995 will be prohibited from reimbursing uninsured deposits - so curbing the "too big to fail" doctrine. A loophole is allowed, however, if the Treasury Secretary on the advice of the Fed determines that these rules would pose a grave risk to the economy.

Virtually no attempt is made to limit the scope of deposit insurance, which many economists had argued was the single most important measure needed to prevent the costs of bank failures from escalating.

● Deposit insurance will still cover accounts of up to \$100,000. However, by combining accounts a family can easily protect up to \$1.4m. Over 75 per cent of US deposits are now insured.

● The FDIC may continue to reimburse foreign deposits, on which deposit insurance premiums are not currently assessed, but must recoup the cost by levying on other banks with foreign deposits. This measure affects an estimated 150 US banks with around \$225bn of foreign deposits.

● The FDIC must devise a system for weighting deposit insurance premiums according to risk. Risk-based premiums should be in place by mid-1994.

Eliminated from the bill are a controversial proposal to limit the interest rate banks may charge on credit card balances, and a measure which would have allowed "non-bank banks" (financial service companies which, unlike full banks, can be owned by commercial companies) to expand.

But the bill will allow limited room for banks which by means of a loophole in Delaware state law have started selling insurance to continue to do so. Insurance industry lobbyists had fought to close this loophole, which essentially benefits Citibank and Bankers Trust. It will also allow the Fed to lend money directly to securities firms in emergencies, such as a stock market crash.

Treasury secretary Mr Nicholas Brady was among those who had called for urgent, fundamental banking law reform.

Middle America pushed to sharp end

Barbara Durr reports on how Peoria finds itself at the centre of an economic drama

PEORIA, deep in the US state of Illinois, has long been considered the quintessential middle American city. Fittingly, it is now the stage for a drama about the transformation of the US economy.

The plot is not unfamiliar: international competition pits a US company against a union that fights to keep jobs and the high standard of living it has traditionally brought its members.

But this time it has the makings of an epic struggle: the participants are Caterpillar, the world's largest maker of earth-moving equipment, and the powerful United Auto Workers; and the ending will help shape not only the fate of Peoria but the direction of US labour relations.

Caterpillar, the city's largest employer, is fighting over a new contract with the UAW. Since negotiations broke down this month, the dispute has brought a partial UAW strike of 2,400 workers, a company lock-out of 5,000 others, and lay-offs of 500 more. Now, both sides are so far apart that a total strike is possible and a return to the bargaining table is not expected for months.

While those affected are spread across three states, it is the people of Peoria who are most deeply worried. Many still witness as they remember the pain of 1982, when the UAW waged the longest Caterpillar strike in its history and the city nearly went under. Thousands of jobs were lost as Caterpillar halted its workforce to 18,000, and the ensuing general downturn pushed local unemployment to more than 15 per cent. The slump, which lasted until 1986, was so deep that it prompted some 27,000 of Peoria's 340,000 residents to leave in a decade.

The city is again bracing itself for a siege, although local government officials and business leaders bravely assert that Peoria is better prepared.

After the 1982 calamity, says Mr James Malool, Peoria's mayor and an energetic booster, "This community woke up and said 'We can't let this happen again'."

Peoria set about lessening its dependence on Caterpillar, diversifying its economy and adding more services, especially focusing on medical treatment centres, biotechnology and telemarketing. Its traditional three-to-



Caterpillar in action: losses have been accumulating on the company's balance sheet

one ratio of blue-collar to white-collar workers is now one-to-one, with increases in service industry jobs speeding change as advanced technology pared manufacturing employment.

As elsewhere in the Midwest, Peoria has fared relatively well through the latest US recession, thanks in part to exports of machinery such as Caterpillar's, but also to greater diversification. Yet, with losses accumulating on Caterpillar's balance sheet - it recently said fourth-quarter losses will exceed the \$86m (\$48.5m) it lost in the first nine months - and with strikers receiving only \$100 a week from the union, Peoria has the jitters, and its apprehension seems warranted.

The dispute is shaping up as a do-or-die battle, with both sides pouring in formidable resources. The company, having geared up for the confrontation since the start of the year, is sitting on several months' worth of inventory, and

the union can draw on a fat \$800m strike fund.

Central to the dispute is the concept of "pattern bargaining", the source of the UAW's strength. It is the union's traditional method of winning a set of concessions from one employer in an industry and then applying them to others, as it has done for years with Detroit's big car makers.

The UAW wants Caterpillar to match the recent settlement won from Deere & Co, but management refuses, challenging the very idea of pattern bargaining. It argues that an agreement similar to that at Deere, whose sales are not nearly as international as Caterpillar's, will make it globally uncompetitive. It points out that its main competitor is the Japanese company Komatsu, which is non-union.

While the international competition argument may be compelling, Mr Donald Fites, Caterpillar chairman, has

infiltrated the union by suggesting that the gap between the wages of US and Mexican workers ought to narrow. Caterpillar is even disinclined to accept a company-wide contract: it wants separate settlements. It also wants to shift some of its health care costs, which last year rose 14 per cent to \$271m, to added payments for hourly workers.

Such a settlement would strip the union of power and spell trouble for negotiations elsewhere. "If the UAW makes Cat the exception, there'll be a lot more exceptions down the road," says Mr Tobias Levkovich, an analyst with Smith Barney, Harris Upham.

With so much at stake, neither side appears willing to bend. But Peorians are hoping that the dispute will not seriously wound their community once more. They are keen to stay on the map, as a recent promotional coffee mug testifies. It reads: "London, Rome, Paris, Peoria."

ADVERTISEMENT

FUTURE BUSINESS STRATEGIES IN SOUTHERN AFRICA

Forty thousand tons of gold awaiting exploitation in South Africa

Julian Ogilvie Thompson, Chairman of Anglo American Corporation, talks to John Spira, Finance Editor of Johannesburg's Sunday Star.



Julian Ogilvie Thompson

Spira: As leader of South Africa's largest corporation, you no doubt have firm views on how the country is likely to evolve over the next few years. How, in broad terms, do you envisage this evolutionary process materialising?

Ogilvie Thompson: I'm glad you use the word "evolutionary", since that is precisely the firm of transition which South Africa is experiencing toward a non-racial democracy, despite the rapid pace of events.

There have, of course, been difficulties, most notably the highly regrettable and unacceptable bouts of violence that have characterised the recent past. But beneath the apparent turmoil and political atmospherics there is a strong underlying momentum toward a new negotiated constitution broadly acceptable to South Africans at large.

Having succeeded in dismantling residual apartheid measures and removing what were perceived to be the obstacles to negotiation, the country is now poised to enter more formal constitutional negotiations.

This will be marked by the meeting of the All Party Conference this year, which all parties accept must agree a framework of constitutional principles - much of which is already agreed in a form recognisably democratic in western eyes.

Though manoeuvring for advantage will characterise the relations between government and various other parties, agreement on constitutional political rule is likely to be reached relatively early in 1992, enabling the constitutional negotiations to proceed.

It would be foolish to predict a timetable. Suffice it to say that all parties are aware that by 1994 they must have reached sufficient consensus to avoid having to hold another white election as required by the current constitution.

A form of coalition government binding together the major parties appears desirable and feasible during this period and probably beyond.

Spira: Do you believe that the ANC's pronouncements on nationalisation, a wealth tax and reneging on South Africa's foreign loan commitments should be taken seriously?

Ogilvie Thompson: They should be taken seriously to the extent that even as rhetoric they have a negative impact on the essential economic underpinning required to ensure a sustained process of democratisation.

While ANC thinking on economic matters appears to have evolved considerably and to have begun to take into account the realities of the international economy of the 1990s, it is incumbent on other South Africans and foreigners alike to keep driving home the implications of those realities for sound macro-economic policies.

Part of this process is the demonstration by business and others that a long term growth-orientated strategy, combined with affordable poverty alleviation programmes, is the only way to tackle the question of development and distribution. There are no quick fixes and the reaction by any party of policies - such as the advocacy of sanctions - which constrain the urgently-required economic recovery simply cannot be tolerated.

Spira: Relations between the ANC and Cosatu on the one hand and the government and business on the other have been severely strained by the recent two-day strike to protest the introduction of value added tax. Can the rift thereby created be healed?

Ogilvie Thompson: These issues seem set to be debated within the proposed Economic Forum which all parties are agreed in principle should be set up to discuss jointly economic issues and policies.

Whether this Forum is formally part of the All Party Conference or not, its existence should in principle remove the need for damaging trials of strength.

Indeed, it should be observed that from business's perspective there was both sufficient agreement on the Forum and sufficient alternative forms of protest to have obtained the need for the November stay-away.

Spira: The mining industry has made discernible progress in the field of labour relations following several performance-related wage agreements. Do you think other industries will follow suit?

Ogilvie Thompson: Other industries will obviously be closely watching the experience of the innovative scheme adopted by the mining industry this year.

More important, however, will be success in breaking the inflation psychology which still seems prevalent in many sectors. Paradoxically, the gold industry was helped in the right direction by the gravity of its situation over the past couple of years.

Spira: As sanctions crumble, South Africa's trade opportunities are expanding. Yet foreign investment has been conspicuous by its absence. What is the outlook?

Ogilvie Thompson: Investors will assess South Africa like any other country - opportunities and potential rewards set against risks.

In the former category, one can name South Africa as a gateway to Africa and the Indian Ocean Islands, excellent infrastructure, developed financial markets, management skills, good telecommunications, abundant raw materials and a developing manufacturing sector.

In the latter, one finds uncertainty over political and economic stability. While violence may grab the newspaper headlines, it is almost certainly the absence of certainty on the post-apartheid economic policy framework which causes most investors to hesitate.

Further, as domestic investors have been consistently saying to government, the country's investment climate, with high taxes, high inflation, high interest rates and a high cost of capital, requires urgent policy action.

South Africa simply has to do what all serious reforming governments are doing with their policy frameworks in order to attract investment.

Spira: Although the South African economy has been weathering itself from its former heavy dependence on gold, the metal remains an economic mainstay. Is the decline in the gold mining industry's fortunes likely to be reversed in the foreseeable future?

Ogilvie Thompson: The industry's performance in recent quarters in meeting the cost squeeze has been most heartening. Additionally, the supply/demand equation is moving in a favourable direction, with jewellery offshore growing strongly and likely next year again to exceed total new world production.

An upgraded marketing programme by the World Gold Council is designed further to stimulate the process and will in due course have a positive impact on the gold price.

This, in turn, will enable us and other mining houses to develop fully those new projects already in the pipeline - such as Val Reef's Moab shaft - and continue with high levels of exploration designed to bring to account some of the 40 000 tons of gold we know await exploitation in South Africa.

Spira: South Africa's doors to the rest of Africa are starting to open. How do you see such future relationships developing?

Ogilvie Thompson: Trade with the rest of Africa has grown steadily throughout the 1980s despite sanctions. While it is true that the lifting of sanctions and the establishing of diplomatic relations will present many new opportunities, the poor state of African economies and limited foreign

exchange will constrain growth in trade.

However, better deals and multi-lateral finance will be offsetting factors. Further, there are strong indications that South African expertise will be much in demand in World Bank and other agency-funded development projects throughout Africa.

Finally, there will be limited investment by South African companies, probably predominantly in Southern African countries (at least initially) and often in joint ventures with other multinationals or domestic entities.

Overall, steady but not spectacular progress can be expected, with progress to a common regional market requiring both time and sensible policy decisions.

Spira: Anglo American has been a leader in equal opportunity and social upliftment programmes. Have other employers followed its lead avidly enough? How much more can be achieved and how?

Ogilvie Thompson: It is not for me to comment on what other South African companies do in these fields. Many do a great deal and in our own case we are aware that we need to try even harder.

In the area of equal opportunity there has to be an unrelenting commitment by all levels of management, especially when all the other challenges of the South African business environment - recessionary conditions, political and social instability and management shortages - provide constant distractions.

In addition, reform of the educational system has to be tackled concurrently. As yet, far too few black South Africans emerge with technical skills or mathematical and scientific passes to support an adequate performance in the area of equal opportunity.

That's why our Chairman's Fund continues to support primary, secondary and tertiary education, expending about 80 percent of its R50 million annual budget in these areas.

To take this process further, AAC and De Beers and their associate companies have pledged R250 million over five years to the newly-constituted Private Sector Initiative, which will concentrate on initiatives designed to get the educational system more in tune with the needs of the world of work.

Overall, AAC and De Beers are now spending both in dividend percentage and in absolute monetary terms at the level of the very top British performers - the equivalent of 18 million pounds sterling a year and over 5 percent of dividends.

Spira: Will Anglo American be expanding further on an international scale now that links between South Africa and the outside world are approaching a situation of normality?

Ogilvie Thompson: We plan to expand both domestically and internationally, looking, like any world-class company, for opportunities in our chosen fields wherever they might occur.

Exchange controls will constrain total freedom of action, but we have achieved a great deal over the years through profitable investment of foreign borrowings and plan to continue in the future.



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LEGAL NOTICES

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986

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UK NEWS

UK 'will not be forced into signing Emu treaty'

By Peter Norman and Charles Leadbeater

THE UK government will not be forced into signing unacceptable treaties on European economic, monetary and political union through worries that the pound could fall sharply on foreign exchange markets, Mr Norman Lamont, the chancellor of the exchequer, made clear last night.

But in an appearance before a House of Commons committee, he stressed that whatever the outcome of next month's European Community summit in Maastricht, the government

would stand by its commitment to keep sterling in its present fluctuation margins in the exchange rate mechanism of the European Monetary System.

He said that if the government reached agreement in Maastricht it would be because it was on terms advantageous to Britain.

"We would not make a decision just on the position of the pound in the currency markets," he said.

Earlier, he had delivered a

moderately upbeat assessment of the current negotiations on Emu.

Although the current draft of the monetary union treaty was "far from perfect", the talks had moved more in the direction Britain wanted as they had become more detailed, he said.

"I do not wish to imply that we are home and dry. We are not," he said. "But I am hopeful that we will be able to get a deal at Maastricht that the prime minister will be able to

recommend to Parliament." At the committee meeting, Mr Lamont underlined that the government would not accept any agreement at Maastricht that committed the government to a single currency. Britain would only sign an agreement with an "opt-in" clause, he said.

He also said that nothing decided at Maastricht would justify holding a referendum. He said that if the government decided against taking sterling into economic and

monetary union, he could envisage "ERM type link" between the pound and the European currency unit. Another alternative might be to float the pound, although he stressed that such decisions lay far in the future and it was difficult to see what might happen by 1993.

Mr Lamont was also pressed by MPs on the present state of the UK economy. He admitted that the recovery "was slow in coming" but added "I believe it will come."

He rejected suggestions that he should give it an artificial stimulus or that recent disappointing economic indicators showed that monetary policy should be looser.

Slow monetary growth, a flat housing market and rising unemployment were signs that Britain had been through a difficult recession.

To give recovery a boost would "achieve nothing" and would risk throwing away what the government stood to gain he said.

BROADCASTING

Radio watchdog to investigate London station

By Raymond Snoddy in London and Kevin Brown in Sydney

LBC, one of London's leading commercial radio stations, is likely to be investigated by the Radio Authority, the industry's watchdog, following serious losses by its overseas shareholders and allegations that it breached regulations by failing to keep a complete record of its transmissions.

The allegations - contained in a dossier compiled by the NUJ media union on LBC's owners, Crown Communications - focus on the financial stability of LBC's largest shareholder, Aspermont, an Australian company which reported a net loss of A\$12.9m in the year to June 1991.

Investigators are also expected to examine the output of independent radio stations, the national news service for commercial radio in which Crown Communications has a 40 per cent stake.

The future financial stability of Crown and its ability to provide the necessary funds for a quality news service are being questioned following revelations that Aspermont, the company's largest shareholder, made a loss in each of the last two years and KPMG Pricewaterhouse qualified its latest accounts because liabilities

exceeded assets by A\$41.5m.

Borrowing facilities have been extended until the end of July next year conditional on significant debt reduction. Aspermont shares were trading at 13 cents earlier this week.

Concern at the performance of the Melbourne-registered company has grown because analysts fear it could cut spending by subsidiaries with stakes in European broadcasting companies.

Aspermont has two subsidiaries - Darling Downs TV and Laser Lab, a loss-making engineering company with interests in Germany and the US. Darling Downs owns 27.42 per cent of Crown Communications Group, which in turn owns 100 per cent of Crown Radio, which owns LBC, independent Radio Sales, and 35 per cent of RFM, the French commercial radio network.

Shares in Darling Downs TV have dropped from A\$7.20 in October 1989 to 28 cents this week.

In the UK meanwhile, Crown Communications has been badly hit by recession but LBC's listening figures have been rising and have been reduced to around £12m after disposals and a £4.8m rights



Under pressure: LBC, broadcast from studios in London (above), is facing an inquiry by the Radio Authority

issue. The company has also made a £13m investment in a 35 per cent stake in RFM.

A number of other commercial radio stations in Britain have urged the Radio Authority to also examine Newstalk, the organisation through which UK stations fund independent radio news (IRN).

Mr Jimmy Gordon, chairman of the Radio Clyde group said he wanted a clearer distinction in future between LBC and

IRN.

The dossier sent to the Radio Authority by Mr John Foster of the National Union of Journalists (NUJ) includes confidential documents on Newstalk and IRN including minutes of board meetings.

It alleges that in recent months the master recording required by broadcasting legislation has been often interrupted to "lift" material for promotional tapes or to

retrieve lively exchanges. In the past radio stations which did not keep a full record of their broadcasts have been fined by the regulators.

The dossier includes a message from Mr David Johnston, news editor of Radio Forth in Scotland complaining about the quality of the IRN service.

"The truth is that IRN is so desperately understaffed you are unable to provide credible coverage of anything beyond

voicing up PA [the domestic news agency]."

The NUJ document was produced after around 100 redundancies at Crown and the company decided to de-recognition the union and introduce individual contracts. It says that if Aspermont were to collapse the repercussions for LBC/IRN are profound.

Crown Communications declined to comment last night.

Eurotunnel claims court victory over contractors

By Andrew Taylor, Construction Correspondent

EUROTUNNEL, the Channel Tunnel operator, last night claimed a High Court victory in its battle to prevent contractors from carrying out their threat to halt work on part of the £250m project.

Transmanche Link, a consortium of five British and five French construction companies contracted to design and build the rail tunnel under the Channel, had threatened to stop work on installing a cooling system in the tunnel unless it was paid more for the job.

The consortium had asked the court to dismiss Eurotunnel's application for an injunction to prevent the contractors from carrying out their threat.

Mr Justice Anthony Evans, in a private judgment in the Commercial Court in central London, yesterday dismissed the application by Transmanche to suspend the proceedings and awarded costs to Eurotunnel.

He said Transmanche had given an undertaking at this stage but gave Eurotunnel leave to return to the court if notice of stoppage was received from Transmanche.

Eurotunnel, commenting on the judgment yesterday, said: "This is all we needed." Transmanche was expected to appeal.

The contractors are locked in a row with Eurotunnel over which should pay for a huge increase in the cost of the construction project, which has risen since 1987 from £4.8bn to £28.65bn.

Transmanche is claiming extra payments of up to £200m at 1985 prices, including a £160m additional management fee, to cover the increased cost of fitting out the rail tunnels, including the installation of the cooling system, and building two passenger terminals at Folkestone, Kent, and Sangatte, near Calais in northern France.

The contractors say the cooling system was not included in the original design for the project and that money provided by Eurotunnel to pay for its installation was insufficient. Negotiations are continuing between the two sides to try to resolve the row over responsibility for the substantial rise in costs.

Labour backs moves to European integration

By Ivo Dawney, Political Correspondent

THE leadership of Britain's opposition Labour party committed its high-wire act on Europe yesterday by winning approval from the ruling national executive committee for a delicately balanced statement on political union.

The policy paper marks the conclusion of an eight-year turnaround from advocacy of British withdrawal from the European Community to guarded backing for further integration.

The document advocates the development of political

accountability within the EC, before making it clear that "the pace of change... will require constant reappraisal of the way in which the Community operates".

Far from federalist in tone, it emphasises that the inevitability of Community enlargement will require a major review of existing institutions and their inter-relationship.

In the so-called "deeper versus wider" debate between those advocating further close integration of the 12 before an enlargement of the Commu-

nity, Labour appears determined that the priority should be put on speedy territorial expansion.

Similarly, the policy paper shares the long-standing posture of the government by defending Britain's view that certain aspects of Community activity, such as foreign policy and defence, should continue to be conducted at inter-governmental level.

Several other EC socialist parties, not least France, reject integration of the 12 before an enlargement of the Commu-

nity, to be included in the treaty - a proposal not hitherto envisaged in drafts currently under consideration.

Elsewhere, the document reiterates earlier Labour policy decisions. It supports: ● Qualified majority voting at the Council of ministers on social and environmental issues; ● More powers for the European Parliament over the Commission; ● The promotion of the Social Charter of employment and workplace rights.

One unexpected paragraph calls for the creation of a new body "created to represent the regional voice in the commu-

nity" to be included in the treaty - a proposal not hitherto envisaged in drafts currently under consideration.

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Ministers criticised over trading law

By Ralph Atkins, Neil Buckley and John Thornhill

RETAILERS and local authorities united yesterday in criticising the UK government for not adopting a "strong" Sunday trading law.

Ministers announced that no action would be taken against supermarkets which flout the existing Sunday trading laws.

Mrs Angela Rumbold, home office minister, gave only a mild rebuke to shops planning seven-day trading in the run-up to Christmas. She refused to go further than saying she "did not condone" the plans of leading supermarkets - despite calls from Labour and Tory MPs for her to insist on the rule of law.

Mr Alan Baldwin, the executive secretary of the National Chamber of Trade which represents many independent retailers, said: "Sunday trading is a government issue. We have the home secretary saying people must obey the law and pay the poll tax but now he is turning a blind eye to Sunday trading."

The government hopes to reform the 1950 Shops Act next year, Mrs Rumbold said. But, since the Commons rejected a shop hours reform bill six years ago, no workable, enforceable and acceptable compromise has yet been found.

Officials indicated that even an early rise in the present £1,000 maximum fine appears to have been ruled out.

Her statement, amid angry scenes in the House of Commons, re-opened dramatically the divisions in the main political parties over Sunday trading and highlighted the legal confusion which has erupted since Tesco led the way in declaring it would be opening from this Sunday.

J. Sainsbury, the grocery chain, was among several other leading retailers which yesterday joined the ranks of those preparing to open their stores on Sundays in December.

Sir Patrick Mayhew, attorney general, told MPs that he had decided not to intervene in the dispute, saying it was the primary responsibility of local authorities to enforce Sunday trading laws.

He acknowledged that the uncertainty over cases currently before the European Court had impeded the ability of councils to win injunctions against law-breakers. The court is expected to rule early next year on whether British law is compatible with free trade articles in the Treaty of Rome.

Editorial Comment, Page 12

Jobs lost as inflation in Europe converges

By Edward Balls

CONVERGENCE of inflation rates in Europe is occurring, but at the cost of high unemployment according to an article in the latest National Institute Economic Review.

Consumer price inflation differentials among members of the European exchange rate mechanism have narrowed dramatically over the 1980s. But the process is not yet complete.

France, Belgium, Denmark and Ireland have all brought their inflation rates down to close to German levels after experiencing high inflation rates at the beginning of the 1980s. But the recent inflationary surge in the newly unified Germany has exaggerated the apparent degree of convergence. Germany's annual inflation rate has risen from around zero in 1986-7 towards 4 per cent this year.

But nominal convergence has been bought at the cost of

substantially higher unemployment as a result of the deflationary monetary and fiscal policies that have been necessary to keep inflation down.

Countries that have not attempted to converge - Greece and Portugal - have experienced substantially lower unemployment. The authors estimate that inflation convergence has so far cost 700,000 jobs in France and a million jobs in Italy.

The UK, Spain and Italy have found it more difficult to control wage and price inflation, the paper argues. As a result, their international competitiveness has deteriorated in recent years.

Now have long-term interest rates in these three countries converged on those in the low inflation countries. This suggests that financial markets expect their future short rates to remain higher than those in Germany.

Economists urge government to support monetary union

By Peter Norman, Economics Correspondent

ONE of Britain's leading economic research institutes yesterday told the UK government it should make a clear decision and give full support to economic and monetary union (Emu) in Europe.

In its latest quarterly review, the National Institute of Economic and Social Research, said Britain had to ask itself how far it needed to preserve its ability to conduct an economic policy independent of, and different from, that of the rest of Europe.

"The option of being completely independent is already in effect closed off. Little would be gained from a reluctant and half-hearted involvement."

The best outcome now would be a clear decision from the UK government giving full support to economic and monetary union, it said.

The institute has argued for some time that a European central banking system will

achieve better results for Britain than an independent monetary policy.

In its review, it notes with evident approval that the economic union currently being negotiated "is characterised by non-intervention" and that economic policy action at the centre will be kept to a minimum.

Its report says that the treaties to be signed at the Maastricht summit will leave important questions undecided.

Although the impression is given of a set timetable leading to a clear objective "in practice no-one can know how events will shape themselves even a year or two ahead."

The institute says that economic union will be very heterogeneous in character and bound to change as more countries become members of the European Community. As a result it will sometimes be impossible to impose a common economic policy on coun-

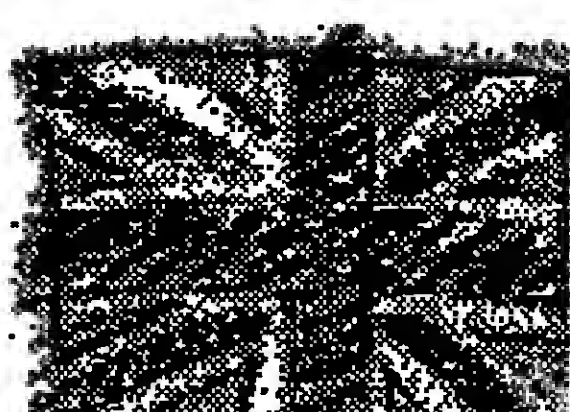
tries that want to go their own way.

The institute is concerned, however, that the draft treaty contains no clear account of how the community could act together to offset Europe-wide booms and slumps.

"Perhaps it will be best for finance ministers to set fiscal policy in each member state, with just a friendly exchange of views as to how their decisions affect each other at the level of the community as a whole," it said.

The institute said it expects unemployment will rise to around 10 per cent of the working population or just under 2.8m, compared with 2.4m in October. Such an increase would represent a marked slowdown in the growth rate of unemployment compared with the 800,000 jump in Britain's jobless total between the first half of last year and the third quarter of 1991.

BRITAIN IN BRIEF



More troops to be sent to Ulster

An extra army battalion has been sent to Northern Ireland increasing the number of regular British troops from 10,500 to more than 11,000. The decision to send the Gloucestershire Regiment follows persistent calls from within the province for security reinforcements in response to a recent upsurge in sectarian killings.

The move, announced by Mr Tom King, defence secretary, during a visit to Armagh, comes almost a fortnight after 1,400 part-time members of the locally-recruited Ulster Defence Regiment were called out for full-time duty to reinforce street patrols.

Early Bible fetches £1.1m

One of the earliest printed Bibles (pictured above) sold for £1.1m at Christie's London to the New York dealer H.P. Kraus. Known as the Spencer-Liverpool 36-li Bible it was printed in Bamberg, Bavaria in the late 1450s using type cast from matrix set in the workshop of Gutenberg, who printed the first Bible. The book had been owned by Lord Liverpool, prime minister in the early 19th century.

Support for EC treaty

More than 70 per cent of the British public support the inclusion of a social dimension in the new European Community Treaty according to a survey conducted for the Trades Union Congress. The TUC is at odds with the government on this issue with the latter fighting to prevent any extension of qualified majority voting in EC social legislation.

Banham to take new post



Mr John Banham, the CBI's retiring director general, (pictured above) is set to become one of the most powerful figures in local government as chairman of the Local Government Commission which should be set up next summer. The commission is the brainchild of Mr Michael Heseltine, environment secretary, who is regarded as a close friend and political ally of Mr Banham.

The commission will conduct a far-reaching review of the structure of local government to assess whether the two-tier system of county and district councils should be streamlined and the councils' boundaries revised.

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Welsh roads to be improved

The government is spending £150m on roads in Wales during the financial year 1992-3, a rise of £20m over the current year. This means a start will be made on the last stage of the M4 motorway.

Large rise in student figures

The number of full-time students at polytechnics has risen by 16 per cent this year says the "polytechnics" funding council. Mr Kenneth Clarke, education secretary, welcomed the figures as "encouraging evidence that the government's policies, aimed at giving more opportunities to young people to receive higher education, are being completely successful."

However, other figures released show that graduate unemployment has also risen sharply in the past year, with former polytechnic students faring worse than their university counterparts.

Court delays increase

Lord Donaldson, a senior judge, has warned that delays in the hearing of appeals in civil cases are worsening despite efforts to speed up the process. The elimination of court delays was a "pipe dream", Lord Donaldson said, but he hoped serious consideration would be given to increasing the number of appeal court judges and to improving the system for dismissing hopeless cases.

Young criticise on Rover sale

A series of shortcomings in the government's sale of the Rover car group to British Aerospace has been disclosed in a damning report by a Commons committee. The Public Accounts Committee, which monitors public spending, criticises implicitly Lord Young, the former trade and industry secretary, for failing to obtain value for money in the £150m deal. Re-opening the controversy over the 1988 sale, MPs list "main lessons" to be learnt: future sales of public assets and calls on the Treasury to revise its guidance on privatisation "best practice".

Problems over rivers break-up

The break-up of the National Rivers Authority to form part of the government's proposed national environment agency would lead to serious managerial problems, Lord Crickhowell, chairman of the NRA, has warned. He told a Commons environment committee that he would also face problems from his own staff, who would face a massive upheaval on two years after the authority was established.

Industry backs campaign

Opportunity 2000, the high-profile campaign to improve the position of women in the workforce, launched last month, has now recruited the majority of government departments and is likely to sign up substantial numbers of private companies throughout industry over the coming weeks. 61 companies had been recruited by the time of the launch.

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Thursday November 28 1991

Living with Kohlomics

THE BEST test of whether an independent central bank is doing its job is how unpopular it is. By that criterion, the Bundesbank is performing excellently. At present, for example, it is being praised by the politicians over what are largely the effects of the German government's policies.

Better that it be blamed than that it monetise the government's fiscal deficits; better still, however, if those deficits were to be more rapidly reduced.

Mr Jürgen Möllemann, Germany's economic minister, has suggested that a further increase in German interest rates is unlikely, and has indicated his hope that they would decline next year. Similarly, Mr Pierre Godeaux, the French finance minister and, as such, quite as interested in the Bundesbank's policies as Mr Möllemann, has asserted that there is "no reason for the Bundesbank to raise its interest rates". In view of the political pressure he is under, the wish must be father of the thought.

Politicians propose, but the Bundesbank disposes. That is its raison d'être. But this does not mean it can, or should, be unaware of the political context. "Independent" is not a synonym for suicidal.

In late 1987, for example, the Bundesbank lowered the discount rate to the exceptionally low level of 2½ per cent under fierce pressure from Mr Helmut Kohl. Similarly, the Bundesbank is unlikely to raise interest rates in the next couple of weeks. It cannot wish the Germans to be any more unpopular at the Maastricht summit of the European Community's heads of government than is strictly necessary.

Money increase
Subsequent increases in interest rates, though far from probable, cannot be ruled out. The 14 per cent increase in broad money (M3) attendant upon monetary union proved

more inflationary than had been hoped, largely because of the subsequent collapse in east German output. Partly for this reason, the Bundesbank lowered its monetary target to 3-5 per cent during the summer and, for credibility's sake, will wish to keep monetary growth within it. Recently, however, M3 has been growing more rapidly than this. Given wage pressure as well, Dr Hans Tietmeyer, the Bundesbank's outspoken deputy president, should be taken seriously when he insists that an all-clear signal on interest rates would be dangerous.

Disinflationary pressure
Nevertheless, an interest rate increase is not inevitable. In fact, the Bundesbank does not like to be that predictable; second, because the fear of higher interest rates can be as effective as the reality; and, third, because the recent strength of the D-Mark is imposing the disinflationary pressure it wants.

For a Bundesbank that knows it has to live with political realities, present pressure could, in fact, be worse. It is better to be subject to political pressure against doing something - raising interest rates - than it probably does not wish to do, rather than in favour of doing something - lowering rates - that it almost certainly does not want to do. But it would be better still if the pressure were put on the German government instead.

The economies of Mr Kohl are the fundamental cause of high interest rates in Europe. Germany's neighbours should let the Bundesbank do what an independent central bank ought to do. They should also complement the German government on its commitment to European political union. But they should insist that its pro-European rhetoric is belied by policies that are, in effect, extracting resources from the rest of Europe in order to fund east German reconstruction.

US and Vietnam
THE HOSTILE reception accorded to Mr Khieu Samphan, the Khmer Rouge leader, on his return to Phnom Penh indicates how difficult it will be to reach lasting peace in Cambodia. It also points to a continuing inconsistency in US policy in Indochina.

The wrath of the Cambodian people is understandable. So is the implied sympathy of the authorities who allowed the attack to occur. But this is scarcely likely to encourage Khmer Rouge guerrillas to lay down their arms. That they do so is crucial for the peace process agreed in Paris last month.

This accord has encouraged countries around the world to support the Supreme National Council, which is to rule on an interim basis until UN-sponsored elections. But no-one knows when these can take place, or what sort of government - potentially communist or involving the Khmer Rouge - might result.

The US is among countries to have sent an ambassador to Phnom Penh. Despite the uncertainty about Cambodia's future, it seems sensible to give backing to a process which represents the only chance of ending that country's protracted misery. But it makes all the more inconsistent US tardiness in restoring relations with Vietnam.

Hanoi may still have a communist government but it has recognised the failure of central planning and embraced capitalism. Its efforts to create a free-market economy out of a wasteland of repression and poverty are severely hampered by the US bar on diplomatic and business links.

The US maintains the ban on

Shoppers now know where to go. They may pinch a toffee from Tesco, an apple from Asda, safety matches from Safeway, a sausage from Sainsbury's. The presumption must be that in any such case no store detective will come forth. There will be no prosecution. There is only one stipulation: they must include their kleptomaniacs on a Sunday.

For Tesco, Asda, Safeway and Sainsbury's have proclaimed that the rule of law is to be suspended on the seventh day of the week. Not all of it, of course, but just the bit of law that inconveniences them. It is not legal to open for business on Sundays, but they will go ahead anyway. The flaw in their argument is apparent. You cannot suspend just one bit of the law, as the attorney general, Sir Patrick Mayhew,

pointed out in the House of Commons yesterday. Sunday trading is unlawful. The present legislation is certainly absurd and in some respects ambiguous; and the government has failed to take a grip. Yet this principle is not divisible. Poll tax must be paid, although it is in dispute.

The rule of law is one of the foundations of a free market. It is an essential ingredient of capitalist society. Without it there could be no enforcement of contracts, no protection from thieves. When trade union leaders break laws, industrialists express outrage.

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Capital break
Capital Radio is far and away Britain's biggest commercial radio station and its most successful. So the departure of the two men associated with its phenomenal success was bound to make investors uneasy. Earlier this year managing director Nigel Walsley went off to run Carlton's TV business and now Sir Richard

With a pinch of salt
And Lo! There came news from the east that Lot's wife was in danger of toppling over. What's more, she might have to be blown up to make sure she doesn't snuff any Israelis - or passing tourists.

For thousands of years, an outcrop of rock perched on a hill close to the (presumed) biblical site of Sodom in the arid wastelands south of the Dead Sea has stood as eerie testimony to the story in Genesis of Lot's wife.

Lot, son of Abraham and nephew of Isaac, lived in the depraved city of Sodom. Just before God was to devastate it and Gomorrah for their sinful ways, angels warned Lot, his wife and his two daughters to flee. But Lot's wife - Genesis never gives her name - ignored the angels' warning not to look back and was turned into a pillar of salt.

There she has stood ever since - at least until now. Israel's Nature Reserves Authority warned yesterday that the largely hollow salt formation Mrs Lot sits upon is unstable and crumbling. She is also cracking. There's fear now that this heavy rock, which weighs thousands of tonnes, may fall and cause a disaster, says the authority's Shmuel Shapira.

Geologists are to examine the site and if the danger is deemed too great, it may be dynamite for Lot's wife, the authority warns.

Disputes over working conditions and maternity leave have not in the past been the stuff of constitutional debate between European Community leaders. But between now and the Maastricht summit, conflict over such social concerns threatens to bring a delicate compromise on economic and political union crashing to earth.

At issue is a proposal to extend the scope of EC social legislation. Most member states want to deal with social directives - setting minimum standards in such areas as holidays, the working week, rights for part-time workers and anything the Community deems covered by the vague phrase "working conditions" - on the basis of qualified majority voting. Under current practice such decisions have to be unanimously agreed, but if the change is allowed any individual state opposing directives might be outvoted unless it has two allies to back it. In practice that means Britain.

The UK government views with alarm the intrusion of EC legislation into social policy. British officials have warned that the change to qualified majority voting is worth "dying in the last ditch" to resist. They complain that the EC prefers to make law rather than ensure it is implemented; that by seeking a role in social policy it is abusing its own principle of subsidiarity (the idea that intervention should take place at the lowest appropriate level). Above all, they assert Britain's right to be different.

Nowhere more than in the field of industrial relations is post-Thatcher Britain so out of step with the EC's Christian Democrat/Social Democrat mainstream. Most countries have extensive legal intervention in working life, a key role for the "social partners" (unions and employers) in collective bargaining, and worker participation in running companies.

The UK's industrial relations system is governed by the lightest of legal regimes. The UK has no legislation on minimum pay, maximum hours or minimum holidays. Portugal, to name an example at the other end of the Community's income league, has legislation on all of them. The UK, with its decentralised collective bargaining, its deregulated labour market and its weak unions, has more in common with the US.

British companies may not have fully woken up to what is at stake in the EC's social debate. Mr Dick Etheridge, head of the Confederation of British Industry's EC office, warns that British employers have not yet realised "that the EC is trying to impose an alternative system on us". He says the UK should not be forced to adopt a more rigid continental regime.

However, Britain has a powerful combination of opponents in the European Commission's social and employment affairs directorate, DG5, in Mr Jacques Delors, the Commission President, and in most of the European Parliament, and in most of Europe's trade unions and labour ministries.

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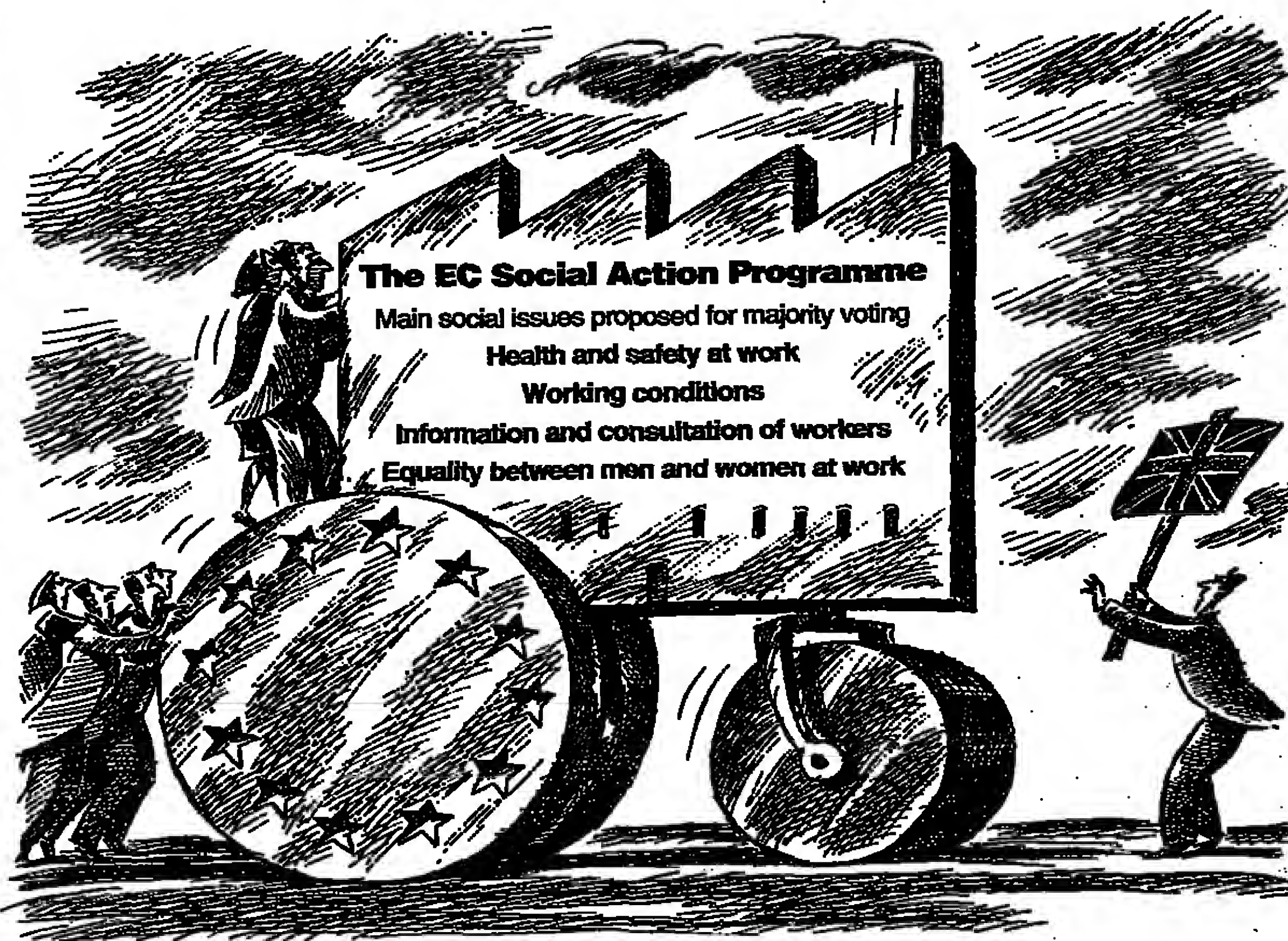
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Britain is at odds with the EC on working conditions legislation, says David Goodhart

Social row could sour the summit



The most significant aspect of "social Europe" so far is the legislation on equal pay, most of which stems from the mid-1970s. This period, in which all proposals were subject to unanimous agreement, also saw legislation easing labour mobility and the first industrial relations laws.

The second phase, from the mid-1980s, came with the arrival of Mr Delors and the introduction of the qualified majority voting procedures of the Single European Act of 1986. For the first time that allowed qualified majority voting on a social matter - health and safety at work - Mr Delors, keen to show that the single market was not only for bus-

nessmen, promoted the Social Charter, a non-binding declaration of fundamental rights for workers that was signed by all member states except Britain in 1988. And from that charter flowed a legislative Action Programme.

Apart from a raft of health and safety measures on such matters as exposure to carcinogens, however, the programme will have achieved little by its deadline of the end of next year. This is partly thanks to the British veto. As a result DG5 has tried recently to circumvent the UK's opposition by smuggling through several broader measures under the health and safety clause - for example pre-

venting sub-contractors bringing in workers from low-pay countries such as Portugal without respecting local pay rates.

Other countries, apart from Britain, agree that DG5 has been stretching EC law. Nevertheless, they now appear ready to allow the rules to be changed to allow all matters covering "working conditions" to be subject to qualified majority voting. That would be a watershed for "social Europe".

So will legislation on working conditions - such as proposed directives on part-time workers and the working week - have the dire effect on UK employment and economic growth that the British government predicts?

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If you accuse Mr Papandreu of espousing economic rigidities of a sort which can only weaken the Community's muscle in the long run, he replies: "On the contrary, the Community is going towards less rigid forms. Liberalism is the dominant ideology... the EC's role is to ensure that individual rights and to protect collective rights. Because then, might end up with a very competitive but very segregated economy with only two-thirds of workers included. She is ready to defend Europe workers' rights to top-quality working conditions against its partner and thinks the Community should push this line in trade talks with US and Japan, perhaps demand 'social duties' from industries a countries that fail to meet EC social standards. "In Japan, they work much longer hours than in Europe. It's they who have to reduce, not who have to increase."

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Greek socialist flying workers' flag

If Britain wins concessions on social policy at Maastricht, it will be no thanks to Mr Vassou Papandreu, the Greek socialist who is EC social affairs commissioner, writes Ian Hargreaves.

Although he knows Britain well, having lectured in economics there in the 1970s, Mr Papandreu is quick with rhetorical assestment at the UK position.

"We don't have any other government or big party in the Community that is against social legislation," he says. The most recent Dutch draft of the treaty is "the bottom line".

We have a moral obligation to set minimum standards in order not to allow market forces or wild capitalism to function at the expense of workers. If we want to have the kind of societies they have in south-east Asia, then we should say that openly. But I don't think that's acceptable at the European level."

She brushes aside arguments that common standards on working conditions and working time will erode the competitive advantage of weaker member states in the south. "I don't face great objections from them. I think they know better than me what's in their interests, and they aren't against these proposals," Ms Papandreu thinks her opponents place too much weight on labour costs in these arguments, and not enough on questions of investment, management and training.

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ECONOMIC VIEWPOINT

Behind the world currency strains

By Samuel Brittan

Two different developments have come together in the world's currency markets. There has been the disappointing recovery in the US, and in much lower key, the postponement of recovery prospects in the UK. Secondly, there is the imminence of the Maastricht summit. This has been enough to switch the subjective chances of a realignment of the core ERM currencies in the coming months from negligible to extremely tiny. The change is still sufficient to cause nervousness among holders of currencies such as the franc and the pound, which enjoy an interest rate differential of 1 per cent or less over the D-Mark.

There would be nothing unprecedented or even alarming in a W-shaped recession. The world had this in the early 1980s when industrial production among the five main industrial countries fell both in 1980 and in 1982. In 1980, the US and UK led the world downwards. In 1982, the UK had a recovery ahead of the field. This time an "L" looks more likely than a "W". In other words, the industrial world as a whole may coast along the bottom for at least part of 1992, while the mainstream economic forecasters ponder where their models went wrong.

It would not be unprecedented to have a W-shaped recession, but an "L" shape is more likely

But the more fundamental question is, as always, an "ought" one, which I cannot get people to look up from their crystal balls to discuss. In countries such as the US, Japan and the UK, the reluctance of highly indebted consumers to spend more harmful behaviour to be offset by official policy? Or is it a healthy reaction to past excess and part of the Schumpeterian process of "creative destruction"? My provisional answer is healthy, so long as it does not spiral downwards into depression - which governments and central banks do have the means to prevent.

The deterioration in US domestic prospects has caused a reassessment of the significance of low US interest rates. Until recently, the 4½ per cent point gap between the US and German short-term rates has been treated by the market as partly a temporary phenomenon, but now the thing of any increase in rates to

narrow the gap has been pushed further ahead - the presidential election is not due until next November. In the meanwhile, the next Fed move is much more likely to be down than up.

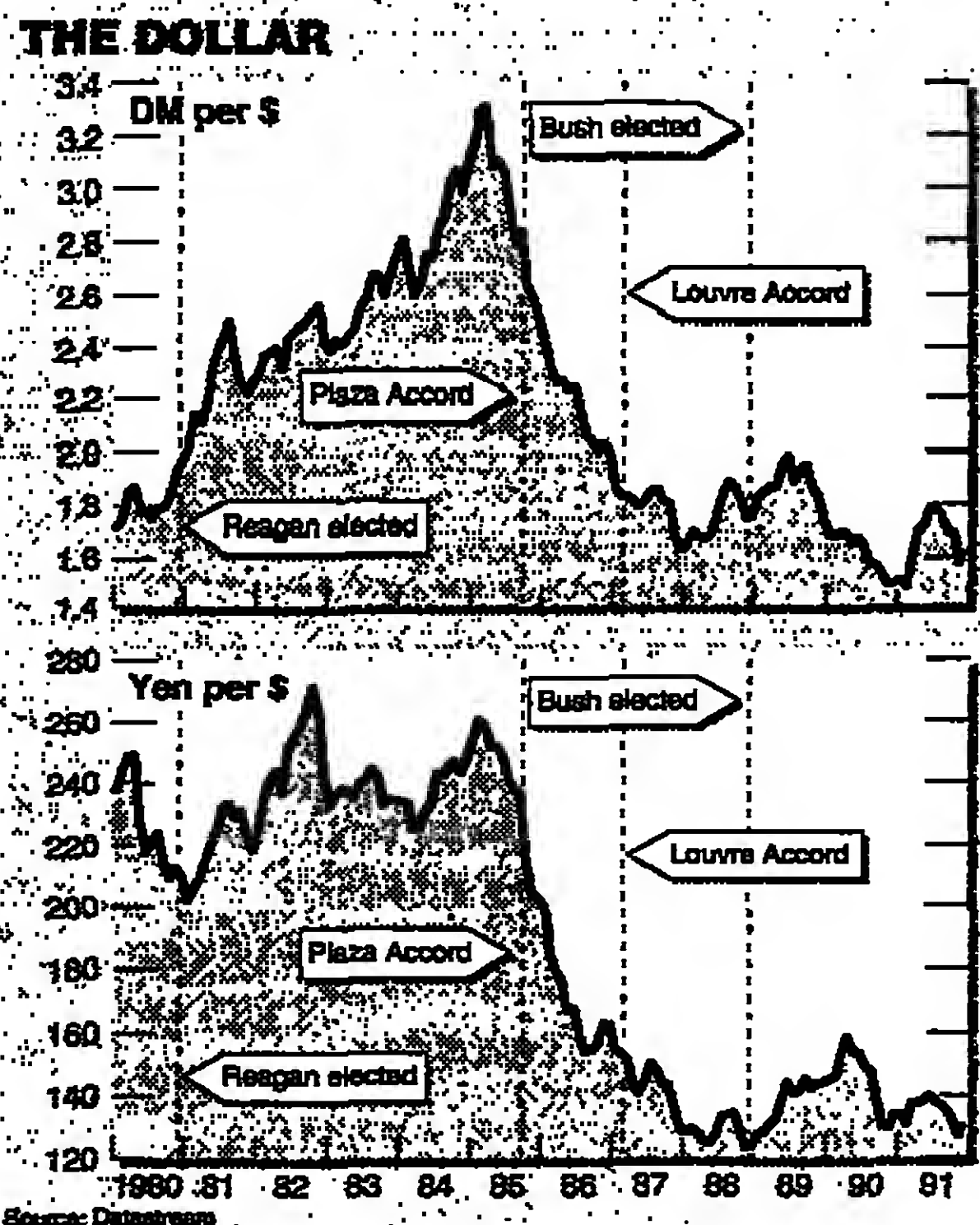
Faced with this change in outlook, the US currency has had to "overshoot" downwards to a level at which its prospective recovery is sufficient to justify the international investment for his loss of interest. Over a longer perspective, what is remarkable is not the recent decline in the US currency, but the remarkable medium-term stability it has enjoyed at, or a little below, the ranges agreed at the Louvre Accord of early 1987. The dollar is still higher against the D-Mark than it was early this year, and the massive devaluation that so many east coast economists called for to correct the balance of payments deficit has not been necessary. The deficit has looked after itself.

Worries about Maastricht explain why the shift out of the dollar has been into the D-Mark rather than sterling or the other ERM currencies. The best rationalisation of the worries is that if a failure at Maastricht deals a blow to the prospects of ERM it will reflect on the ERM.

This does not mean that member countries will lightly abandon their obligations or throw away their hard-won anti-inflationary credibility by re-aligning. There has just been some extremely slight shift in the odds, if only because part of the political support for the ERM has come from the hope that it would lead to a monetary union in which states other than Germany would have more say.

The present is a situation in which it is sensible for European central banks to make use of the margins built in to the ERM, which should not be abolished or narrowed, until members are prepared to lock their currencies into a system of permanently fixed exchange rates.

Under the schematic version



of the ERM used in the so-called Walters Critique there is no flexibility, and it would be worth moving out of a currency when there is even a very small chance of a downward re-alignment. But with a bilateral band of fluctuation for sterling from DM2.778 to DM3.132, the speculator who moved out of sterling could lose very large sums if, as is overwhelmingly likely, there is no re-alignment and sterling recovers within the band.

France, which is in the narrower band, is not quite so well placed. Even so, movements within a range from FF3.43 to FF3.775 to the D-Mark can inflict quite heavy damage. The narrower band is justified by the greater strength of the French commitment to an eventual single currency, by the country's successful record in avoiding re-alignment and by the fact that the D-Mark is below the German one. The UK

- which scores less heavily on all three factors - should, and will, stick to the time being to the 6 per cent margin (at which I originally suggested the country should join the ERM, when the arrangement started in 1979, following the Italian example). The effect of Maastricht on sterling is complex. Not only does it share in the extremely slight doubt about the future of the ERM, but the divisions within the Conservative party to which it has given rise have made foreign exchange markets take the possibility of a Labour government or a hung parliament more seriously. The effect was summed up by Theodor Schönebeck of the Deutsche Bank, when he said in London this week that while he recognised that devaluation was not part of Labour's strategy, its probability was nevertheless greater than under the Tories. The belief is probably

untrue, as there could now be more devaluationists among the Tory right than the Labour left; the main difference is that the Tory right calls it "floating the pound" and neutral observers "floating sterling".

Mr. Schönebeck also observed that real interest rates of 6 per cent and the ERM commitment imply a "muted recovery in output during the run-up to the general election". But he obviously thinks this slow recovery a price worth paying for the "speedier correction of inflation expectations than would have been the case had Britain not joined the ERM". What Tory strategists need to do is to abandon their 1980s-style concentration on economic movements in the next couple of quarters which they can neither control nor predict, and find some way of bringing into the argument the underlying improvements enumerated, not very loudly, in the new National Institute Review. That is hardly a Conservative house organ; yet it estimates a sea change for the better in Britain's share of world trade, and a convergence around low German rates of inflation by the mid-1990s.

Meanwhile, events have weakened the belief that sterling's effective floor is dragged up by the Spanish peseta, which also enjoys a 6 per cent margin. It was always likely that if sterling came under downward pressure it would drag the peseta with it, and so it has proved.

In fact, the most likely result of a failure to agree at Maastricht would be another summit. For that is how the Community works. The Dutch have already said that they would be prepared to chair another meeting between Christmas and the New Year, even if ministers and officials then have less time to spare with their families. If that does not happen or does not work, the Portuguese will chair a meeting in the New Year.

There is, however, the wider moral that the ERM and ERM cannot be completely separated. Systems of fixed but variable exchange rates have a limited shelf-life. They either break down or are hardened into fixed rates which can only be changed in a crisis of wartime or depression proportions.

There is no need to rehearse the arguments why Europe would be better off if it is known to be operating a permanently fixed exchange rate system from which a single currency could eventually develop, whether or not there is agreement on hobbyhorses such as political power for the European parliament.

BOOK REVIEW

A losing streak that will be hard to break

CHAIN REACTION: THE IMPACT OF RACE, RIGHTS AND TAXES ON AMERICAN POLITICS

By Thomas Edsall and Mary Edsall
Norton, \$32.95

took it upon themselves to reform the Democratic party. As the Edsalls note: "The Democratic reform elite served as the perfect foil for conservatives seeking to portray the Democratic party as a new establishment intent on imposing an alien - elitist and liberal - racial and cultural agenda on the mass of American voters."

Mr. George Wallace, the segregationist Democratic governor of Alabama, put it even more succinctly in his 1968 presidential election campaign: "You know who the biggest bigots in the world are, they're the ones who call others bigots."

What is striking is how a generation of Republican political operatives has been able to tar successive Democratic presidential candidates, from Mr. George McGovern to Mr. Michael Dukakis, with this same elitist brush. In 1988, Mr. Bush buried his opponent with charges that he was a "tax-and-spend" liberal, soft on crime and even softer on communism and the need for a strong national defence.

The Edsalls argue that the Democrats have got on the wrong side of three pivotal issues - race, rights, and taxes. Race in their view is the most important.

They offer powerful evidence to support two further contentions: that the gap between blacks and whites in the US is becoming greater in terms of education and income; and that this gap continues to polarise the American electorate to the benefit of the Republican party.

As the authors point out, civil rights legislation helped to foster the development of a black middle class; but it also may have helped to spawn the growth of a black underclass. The percentage of American

families with one parent rose from 12.9 per cent in 1970 to 21.5 per cent in 1980, and 27.3 per cent in 1988; but the percentage of black families with one parent had risen by 1988 to 59 per cent.

Many of these one-parent families are on welfare; and as Mr. David Duke, the ex-Nazified maverick Republican, showed in the recent race for governor of Louisiana, it is easy enough to tap white resentment on this issue. Mr. Duke may have been trounced, but as Dan Quayle, the vice-president, said this week: the messenger not the message is the problem.

Yet the Edsalls' preoccupation with race may have led them to underestimate other political shifts in the 1980s which may end up hurting the Republicans.

The most important is the growth in income inequality among whites. The authors present interesting statistical material about how the rich grew richer under President Ronald Reagan, but they do not share the view that a Democratic candidate running on a populist platform of tax "fairness" could appeal to the electorate.

Elsewhere, the Edsalls may not have given sufficient weight to the impact of the Bush presidency which, through its soft-boiled country-club conservatism, has eroded the hard edges of the Nixon-Reagan coalition. Mr. Bush has, in the past three years, agreed to soften his "no new taxes" and anti-jobs' quota rhetoric to reach agreement with the Democratic majority in Congress. He has also consciously sought to appeal to black voters, to the point of selecting a black judge to replace a black judge for the US Supreme Court (the ultimate job quota).

Mr. Bush may well repeat the racially loaded messages of 1988 during next year's campaign. The chances are much greater if a north-east liberal such as Governor Mario Cuomo of New York enters the race. If Mr. Cuomo does seek the Democratic nomination, he should take this book to bed for a good, long read.

Lionel Barber

LETTERS

Solution to poll tax defaulters

From Mr Ian Lamont.

Sir, You report that the Audit Commission has urged a strict line on poll tax defaulters (November 26). In certain areas such as Strathclyde, the level of non-payment is so high that even law-abiding citizens are now questioning why they should pay. The non-payers, in the knowledge that there is insufficient space for them all to be imprisoned, are not to be intimidated by threats of fines, which will also go unpaid.

Surely it is time to invoke the principle of "no representation without taxation". While the threat of disenfranchisement may not compel non-payers to pay, it would, if enacted, probably result in the removal of high spending local authorities as they would not find favour with those who have earned their right to vote by paying their poll tax.

Ian Lamont,
Fairlight Cottage,
Hickmans Lane,
Lindfield, Sussex

Price of data

From Mr Norman Swindells.

Sir, Joe Rogaly may be better than I am at reading the real meaning behind the proposals of the SC ("Wiring in Europe", November 26) but also he may not understand the nature of the problem. There is no unified communications system within the EC, for any method of transmission, and until there is we shall suffer by comparison with our competitors. As an example of what this leads to, the unit usage charge for data transmission by the packet-switched data network of BT is £1.50/hr within the UK and £4.50/hr "international" near UK-Europe. All the other national telecommunications utilities in Europe discriminate against cross-border data traffic in a similar manner and some are worse than BT in this respect.

Clearly, BT regards itself as being outside Europe and the customer pays the price to his disadvantage compared to the US where there is a single national pricing structure for each data network. Norman Swindells,
Touchstone International,
14 Mere Farm Road,
Birkenhead,
Merseyside L43 9TT

Disturbing aspects of Sunday trading moves

From Mr Albert Edwards.

Sir, Whether or not one is in favour of Sunday trading, the current trend towards wholesale breaking of the criminal law is disturbing.

The will of parliament in 1988 was that the 1930 legislation should stand. The law from these companies that they are entitled to break the law because they are satisfying consumer preferences is irrelevant.

Justice Hoffmann in the High Court (Stoke and Norwich Councils v B & Q, July 1990) said that the objective of the law "is in my view clear enough from the terms of the Act itself, namely to ensure as far as possible, shopkeepers and shop assistants did not

have to work on Sunday". The law there is to protect the worker, not the shopper!

In the same judgment, Justice Hoffmann pointed out that B & Q "owes a great deal of its success to systematic breaches of the law". These profits are effectively being stolen from law-abiding shops such as Marks and Spencer. If the current recessionary economic conditions are justification for Tesco et al also breaking the law, why should not those individuals also down on their luck shop-lift, fare-dodge and mug etc. Choosing which laws we shall or shall not obey is the first step to anarchy. Albert Edwards,
67 Erlanger Road,
London SE14 5TQ

National Power's profits indicate need for prices investigation

From Mr Andrew Cook.

Sir, With National Power's announcement of a staggering increase in profits of 18.1 per cent ("National Power reaches £202m", November 27), it is high time to focus on the fixing of pool prices by the electricity generators. This is nothing short of a scandal. They should be investigated immediately by the Monopolies Commission.

Most big electricity consumers were forced to accept pool prices in order to avoid a 15 per cent increase in their electricity costs which was a consequence of taking the alternative annual contracts offered by the area boards. These pool prices are fixed every half hour on a supply and demand basis.

Traditionally, demand peaks in the late afternoon and, therefore, one expects the pool prices to be more expensive at this time. However, there is a limit to this and it is far below the levels recently experienced.

For example, for much of the day a pool price somewhere between 3p and 5p per unit tends to prevail, but on a number of days recently the late afternoon price has been as high as 11p. This has been on days when the weather has been mild and no extraordinary conditions have existed.

All indications are that the generators have deliberately withdrawn capacity during these periods in order to force

prices up - in short, the market is being wilfully manipulated.

The regulatory authority, OFFER, has shown itself to be completely spineless and responds to complaints from consumers such as me in a most negative fashion. Yet I am purchasing £25m-worth a year of electricity, it is 5 per cent of my manufacturing costs and I find that these are being forced up well above 1990-91 levels as a result of this pricing practice.

The consequences of having to absorb these cost increases are potentially disastrous - it is already hard enough being competitive in these recessionary times, with overseas producers pushing to increase their market share.

The arcane and secretive way in which pool pricing is established, with the customer not getting to know the actual price he has paid until four weeks after he has consumed the electricity, also makes it impossible to plan and control costs.

Sir Gordon Borrie should waste no time in ordering the appropriate investigation.

Andrew Cook,
chairman,
William Cook,
Parkway Avenue,
Sheffield

Productivity gap target

From Mr Brian Warnes.

Sir, Anthony Harris ("The risk to sterling's hidden strength", November 25) paints a gloomy picture of UK industry needing to improve productivity 1 per cent to 2 per cent faster than German industry for five to 10 years (ie, in addition to whatever improvement German industry is making in the meantime) to achieve "convergence" with Europe.

The financial systems in Germany and Japan are designed by engineers, not accountants, and they use them to control companies in a different way, a way that almost invariably results in dramatic "productivity" achievements.

UK companies adopting similar methods find themselves achieving equally dramatic productivity successes - and within months, not the "years" feared by Mr Harris. It is a gap that need not take an undue time to close.

Brian Warnes,
managing director,
Business Dynamics,
13 Blackheath Village,
London SE3 9LA

Competition

From Mr J J Verden.

Sir, We read much about the benefits and operation of competition in markets, but little about the prices to be paid for competition. There are two or more, all paid by the customer or whoever wants competition.

There has to be enough apparent profit in the business to draw in other players, and someone ultimately has to pay a price higher than marginal to keep the second last player in the business as others depart.

It is fantasy to expect competition to provide endless output at or near marginal cost. So, when BT and British Gas are showing the beacon for competition, regulation risks all by effectively directing other players to other pastures. Better to allow profit to attract wolves through a more open door.

Jonathan Verden,
Court Lodge,
Yalding,
Midhurst, Kent

Fax service

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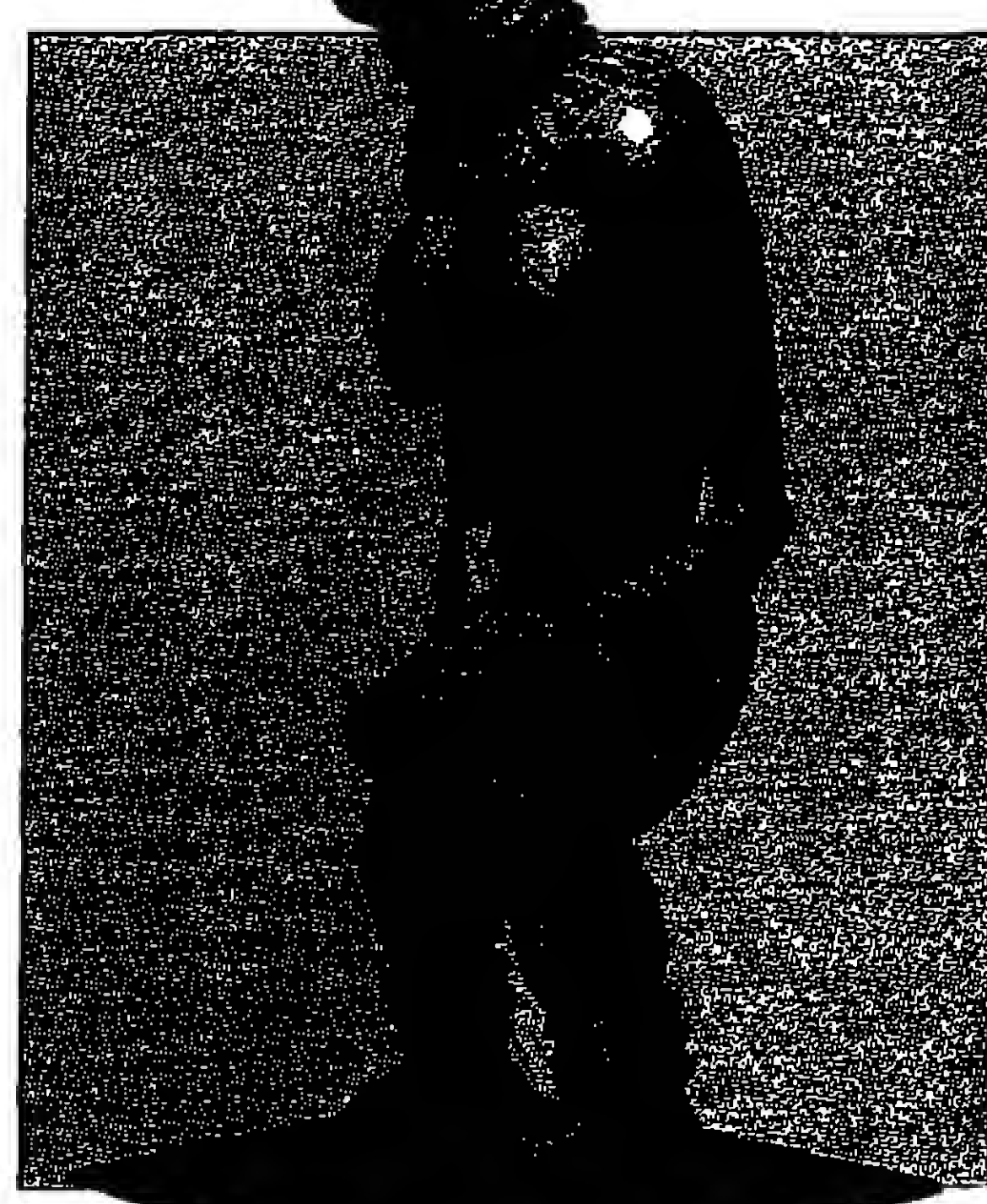
WHAT IS THE BEST INVESTMENT IN THE WORLD?

This memorial figure of a Bangwa Queen was collected by a German merchant explorer in 1898 - the first white man to reach the Bangwa kingdom (now in Cameroon).

Herr Conrau would probably have been amazed to know that this sculpture, only 3½ inches high - which probably cost him only a few coloured beads - was sold at Sotheby's in New York last year for US\$ 3,410,000.

However, you don't need to speculate on tribal - or any other - art in order to put your money to work effectively.

History shows that, over the longer term, one of the most consistently successful ways to invest has been in stocks and shares.



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INSIDE

Water group appeals over regulation

North West Water, the recently privatised UK water company, issued a strongly-worded appeal for separation between politics and the regulatory regime as it unveiled half-year results which it said were affected by the UK recession. It has been forced to reduce next year's price rise. Mr Dennis Grove (left), chairman, said: "I am fully justifying further cost increases and believe the reduction for next year is recession related and should be one-off." Page 20

Holding steady

Unigate
Unigate, the UK food and transport group which in June announced a restructuring of its business, yesterday reported flat profits for the six months to September 30. Page 20

Poles apart

Each Tuesday a crush of curious onlookers at Warsaw's stock exchange peers across makeshift barriers at young brokers performing rituals at computer screens in what was once the Communist Party's headquarters. Back Page SE for Bulgaria by Christmas. Page 19

Better times for NZ farmers

The New Zealand Dairy Board hopes a reasonable lift in prices after the worst season for dairy farmers for decades will avert widespread defections from the industry. Page 30

Packer inquiry

An inquiry into the bid for Australia's Fairfax newspaper group by a consortium including Mr Kerry Packer, the entrepreneur, has the power to block or unwind the takeover. Page 18

Aluminium for Chile

In spite of a world glut of aluminium and prices in the doldrums, Noranda Aluminium, a subsidiary of the Canadian mining and forestry group, has announced plans to build a \$1.5bn aluminium smelter and hydro-electric plant in the far south of Chile. Page 30

Chileans seek bid cash

Enersis, a private holding company of Chilean electricity companies, hopes to raise \$60m from US institutional investors next month to bid in the forthcoming privatisation of Argentina's biggest utility, Segba. Page 18

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Chief price changes yesterday

FRANKFURT (DEM)		SINGAPORE (S\$)	
Frankfurt 3m	77.5 - 22	Parer	632 + 17
Frankfurt 6m	78.0 - 22	Parer	1274 + 39
Frankfurt 12m	78.5 - 22	Parer	1274 + 39
Frankfurt 18m	79.0 - 22	Parer	1274 + 39
Frankfurt 24m	79.5 - 22	Parer	1274 + 39
Frankfurt 30m	80.0 - 22	Parer	1274 + 39
Frankfurt 36m	80.5 - 22	Parer	1274 + 39
Frankfurt 42m	81.0 - 22	Parer	1274 + 39
Frankfurt 48m	81.5 - 22	Parer	1274 + 39
Frankfurt 54m	82.0 - 22	Parer	1274 + 39
Frankfurt 60m	82.5 - 22	Parer	1274 + 39
Frankfurt 66m	83.0 - 22	Parer	1274 + 39
Frankfurt 72m	83.5 - 22	Parer	1274 + 39
Frankfurt 78m	84.0 - 22	Parer	1274 + 39
Frankfurt 84m	84.5 - 22	Parer	1274 + 39
Frankfurt 90m	85.0 - 22	Parer	1274 + 39
Frankfurt 96m	85.5 - 22	Parer	1274 + 39
Frankfurt 102m	86.0 - 22	Parer	1274 + 39
Frankfurt 108m	86.5 - 22	Parer	1274 + 39
Frankfurt 114m	87.0 - 22	Parer	1274 + 39
Frankfurt 120m	87.5 - 22	Parer	1274 + 39
Frankfurt 126m	88.0 - 22	Parer	1274 + 39
Frankfurt 132m	88.5 - 22	Parer	1274 + 39
Frankfurt 138m	89.0 - 22	Parer	1274 + 39
Frankfurt 144m	89.5 - 22	Parer	1274 + 39
Frankfurt 150m	90.0 - 22	Parer	1274 + 39
Frankfurt 156m	90.5 - 22	Parer	1274 + 39
Frankfurt 162m	91.0 - 22	Parer	1274 + 39
Frankfurt 168m	91.5 - 22	Parer	1274 + 39
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Frankfurt 192m	93.5 - 22	Parer	1274 + 39
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Frankfurt 246m	98.0 - 22	Parer	1274 + 39
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Frankfurt 270m	100.0 - 22	Parer	1274 + 39
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Frankfurt 606m	128.0 - 22	Parer	1274 + 39
Frankfurt 612m	128.5 - 22	Parer	1274 + 39
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Frankfurt 786m	143.0 - 22	Parer	1274 + 39
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Frankfurt 936m	155.5 - 22	Parer	1274 + 39
Frankfurt 942m	156.0 - 22	Parer	1274 + 39
Frankfurt 948m	156.5 - 22	Parer	1274 + 39
Frankfurt 954m	157.0 - 22	Parer	1274 + 39
Frankfurt 960m	157.5 - 22	Parer	1274 + 39
Frankfurt 966m	158.0 - 22	Parer	1274 + 39
Frankfurt 972m	158.5 - 22	Parer	1274 + 39
Frankfurt 978m	159.0 - 22	Parer	1274 + 39
Frankfurt 984m	159.5 - 22	Parer	1274 + 39
Frankfurt 990m	160.0 - 22	Parer	1274 + 39
Frankfurt 996m	160.5 - 22	Parer	1274 + 39
Frankfurt 1002m	161.0 - 22	Parer	1274 + 39
Frankfurt 1008m	161.5 - 22	Parer	1274 + 39
Frankfurt 1014m	162.0 - 22	Parer	1274 + 39
Frankfurt 1020m	162.5 - 22	Parer	1274 + 39
Frankfurt 1026m	163.0 - 22	Parer	1274 + 39
Frankfurt 1032m	163.5 - 22	Parer	1274 + 39
Frankfurt 1038m	164.0 - 22	Parer	1274 + 39
Frankfurt 1044m	164.5 - 22	Parer	1274 + 39
Frankfurt 1050m	165.0 - 22	Parer	1274 + 39
Frankfurt 1056m	165.5 - 22	Parer	1274 + 39
Frankfurt 1062m	166.0 - 22	Parer	1274 + 39
Frankfurt 1068m	166.5 - 22	Parer	1274 + 39
Frankfurt 1074m	167.0 - 22	Parer	1274 + 39
Frankfurt 1080m	167.5 - 22	Parer	1274 + 39
Frankfurt 1086m	168.0 - 22	Parer	1274 + 39
Frankfurt 1092m	168.5 - 22	Parer	1274 + 39
Frankfurt 1098m	169.0 - 22	Parer	1274 + 39
Frankfurt 1104m	169.5 - 22	Parer	1274 + 39
Frankfurt 1110m	170.0 - 22	Parer	1274 + 39
Frankfurt 1116m	170.5 - 22	Parer	1274 + 39
Frankfurt 1122m	171.0 - 22	Parer	1274 + 39
Frankfurt 1128m	171.5 - 22	Parer	1274 + 39
Frankfurt 1134m	172.0 - 22	Parer	1274 + 39
Frankfurt 1140m	172.5 - 22	Parer	1274 + 39
Frankfurt 1146m	173.0 - 22	Parer	1274 + 39
Frankfurt 1152m	173.5 - 22	Parer	1274 + 39
Frankfurt 1158m	174.0 - 22	Parer	1274 + 39
Frankfurt 1164m	174.5 - 22	Parer	1274 + 39
Frankfurt 1170m	175.0 - 22	Parer	1274 + 39

INTERNATIONAL COMPANIES AND FINANCE

Bombardier set to control De Havilland Canada

By Robert Gibbens in Montreal

BOMBARDIER, the aerospace and railway equipment group, is expected to emerge shortly with majority control of Boeing's loss-making De Havilland Canada (DHC), the Toronto commuter aircraft manufacturer put up for sale early this year by the US company.

France's Aerospatiale and Alenia of Italy, which make the larger ATR series of computer planes, have finally withdrawn from the bidding. Their joint bid was turned down by the European Commission for competitive reasons. The commission vetoed a full takeover, arguing it would create a near monopoly in the EC market for small turbo-prop commuter aircraft.

DHC's production level is being reduced by half because

uncertainties over ownership have affected orders.

Bombardier is negotiating over DHC with the federal and Ontario governments. The remaining issues centre on DHC's losses, the financing of nearly US\$1bn of future development costs for new and larger aircraft, export financing and Ontario government participation.

The Canadian Autoworkers' Union, representing DHC's workforce, is supporting the Bombardier takeover.

Bombardier moved into aerospace in the 1980s with the acquisition of Canadair in Montreal, later adding Short Brothers of Belfast.

This doubled its volume and trebled its backlog of orders which now stand at more than

US\$5bn. It owns two European heavy transit equipment makers and an Austrian light engine and tram builder, and holds the North American rights to the French TGV train.

Delivery delays caused a 7 per cent dip in Bombardier's third-quarter sales to C\$719m, but earnings held steady at C\$31.5m, or 29 cents a share, up C\$100,000 from a year earlier.

However, nine-month earnings were C\$70.9m, or 97 cents a share, up 6 per cent from C\$66.8m, or 95 cents, a year earlier. Sales were slightly higher at C\$2.04bn. Bombardier plans to split its stock two-for-one from January 31. The A shares trade around C\$24 to C\$25 and the B shares about C\$27 to C\$28.

Rembrandt advance checked by associates

By Philip Gawth in Johannesburg

REMBRANDT Group, the South African tobacco-based conglomerate, advanced amid recessionary conditions in the six months to September 30, although its results were curbed by the weak performance of associate companies.

Pre-tax profits rose by 23.5 per cent to R544m (\$196m). The share of profits from associated companies, however, dropped by 17 per cent to R120m. As a result, pre-tax profit from normal business operations was only 10.7 per cent higher at R434m.

The strong performance before taking account of associates was largely a result of unrelated tobacco interests which normally contribute about 40 per cent of earnings.

Analysts said the good performance probably also reflected a strong contribution from unlisted Total SA, the distributor of petrol and oil products, in which Rembrandt has a 34.4 per cent stake.

Profits from associates suffered from lower contributions by Rembrandt's mining investments which are feeling the impact of weak commodity markets. HIL, the food and forestry company, in which Rembrandt has a 33.6 per cent stake, also performed poorly.

Rembrandt sold the bulk of its stake in Standard Bank Investment Corporation for R452.1m cash, recording an extraordinary capital gain of R242.6m.

The dividend was lifted by 20 per cent to 12.60 cents a share on the back of a 24.9 per cent rise to 61.26 cents in earnings - mostly cash - excluding retained income from associate companies.

Varity fails to return to profitability by mid-year

By Bernard Simon in Toronto

VARITY, the international farm, automotive and industrial equipment group, has failed to meet its prediction of a return to profitability by mid-1991 and has warned that it will probably suffer a loss for the year as a whole.

The company, whose products include Massey-Ferguson Perkins diesel engines, incurred a loss of \$17.8m, or 81 cents a share, in the three months to October 31, compared with profit of \$22.5m, or 66 cents a share, a year earlier.

Revenues slumped by 19 per cent to \$758.6m, largely due to a steep fall in sales of its European-based diesel engine and

farm and industrial machinery businesses. Engine sales fell to \$133m from \$210m. The company ascribed the setback to depressed farm machinery markets, the sluggish UK economy and a four-week strike at Perkins.

Half the third-quarter revenues were generated by Kelsey-Hayes, the Michigan-based automotive parts maker which Varity bought in late 1989 as part of efforts to lower its dependence on farm machinery. K-H posted operating income of \$31m, down from \$42m a year earlier but unchanged from the previous three months.

In the light of unexpected losses, Varity said it may cut staff levels further, and is considering disposing of some non-core businesses. A special charge to cover these measures is likely in the fourth quarter. Despite pledges to reduce borrowings, long-term debt has grown to \$900m from \$783m on January 31.

Mr Victor Rice, chairman, said he was disappointed by the poor market for farm machinery, but saw no sign of an early improvement. He said demand for diesel engines will probably also remain sluggish, especially in the UK, Perkins' largest market.

Upjohn supports doctors facing Halcion actions

By R.C. Murphy in Bombay

UPJOHN, the US pharmaceutical company, has introduced a programme to defend and indemnify US physicians named in lawsuits involving damages allegedly caused by Halcion, Upjohn's popular sleeping pill, writes Karen Zagor in New York.

The company said it would support physicians who had prescribed Halcion in accordance with the package insert.

"We've taken this step to re-emphasise our support for Halcion and the physicians who prescribe it," said Mr Theodore Cooper, Upjohn's chairman and chief executive.

Halcion, the world's most widely prescribed sleeping medication, has been at the centre of a storm for several months. The drug was recently suspended from marketing in the UK, Norway and Finland amid concern over Halcion's side effects.

Telco climbs strongly despite weak market

By R.C. Murphy in Bombay

TATA Engineering and Locomotive Company (Telco), India's largest producer of trucks, advanced strongly in the first half to September, despite a recession in the vehicle market.

Sales rose 28 per cent to Rs13.04bn from Rs10.16bn for the corresponding period last year. Operating profits also advanced by 28 per cent to Rs1.36bn (\$48.8m) from Rs1.06bn.

Demand for commercial vehicles in India slowed after a rise in petroleum products prices. Telco, which had planned to enter the car market with diesel-driven vehicles, delayed the launch of a hatchback estate car until early next year.

After providing for depreciation of Rs300m, against Rs257.4m, and for tax of

Rs455.5m, compared with Rs288.5m, net profits emerged at Rs38.8m, up 13.6 per cent from Rs33.1m.

The government increased corporate taxes forcing Telco to make a higher provision.

The company hopes to do better in the second half. It plans to focus on exports following the devaluation of the rupee in July.

● Pakistan International Airlines (PIA), the national carrier 90 per cent owned by the government, fell further into loss in the year to June. Reuter reports from Karachi. The net loss came to Rs334m compared with Rs182m a year earlier, on sales of Rs18.1bn up from Rs16.41bn.

It will pay no dividend to the government but will make a 12.5 per cent payout to owners of 10 per cent of the shares sold to the public last year.

Konica falls to Y5.56bn on currency exposure

KONICA, the Japanese camera and film manufacturer, yesterday reported that currency fluctuations, along with increased advertising and depreciation charges, led to a 32.7 per cent fall in pre-tax profit to Y5.56bn (\$43m) for the first half to the end of October, writes Robert Thomson in Tokyo.

Sales for the period rose 1.2 per cent to Y187.25bn, with modest 4.7 per cent rise in film sales to Y70.9bn, a 10.1 per cent increase in office equipment sales, and a 9.2 per cent fall in sales of cameras. However, sales of disposable cameras rose 30 per cent.

The company presumes the slowing of economic growth in Japan and the continuing weakness of the Intel national economy will depress sales in the second half. For the full year, Konica is forecasting sales of Y390bn, a rise from Y368bn, and a slight increase in pre-tax profit from Y14.36bn to Y14.5bn.

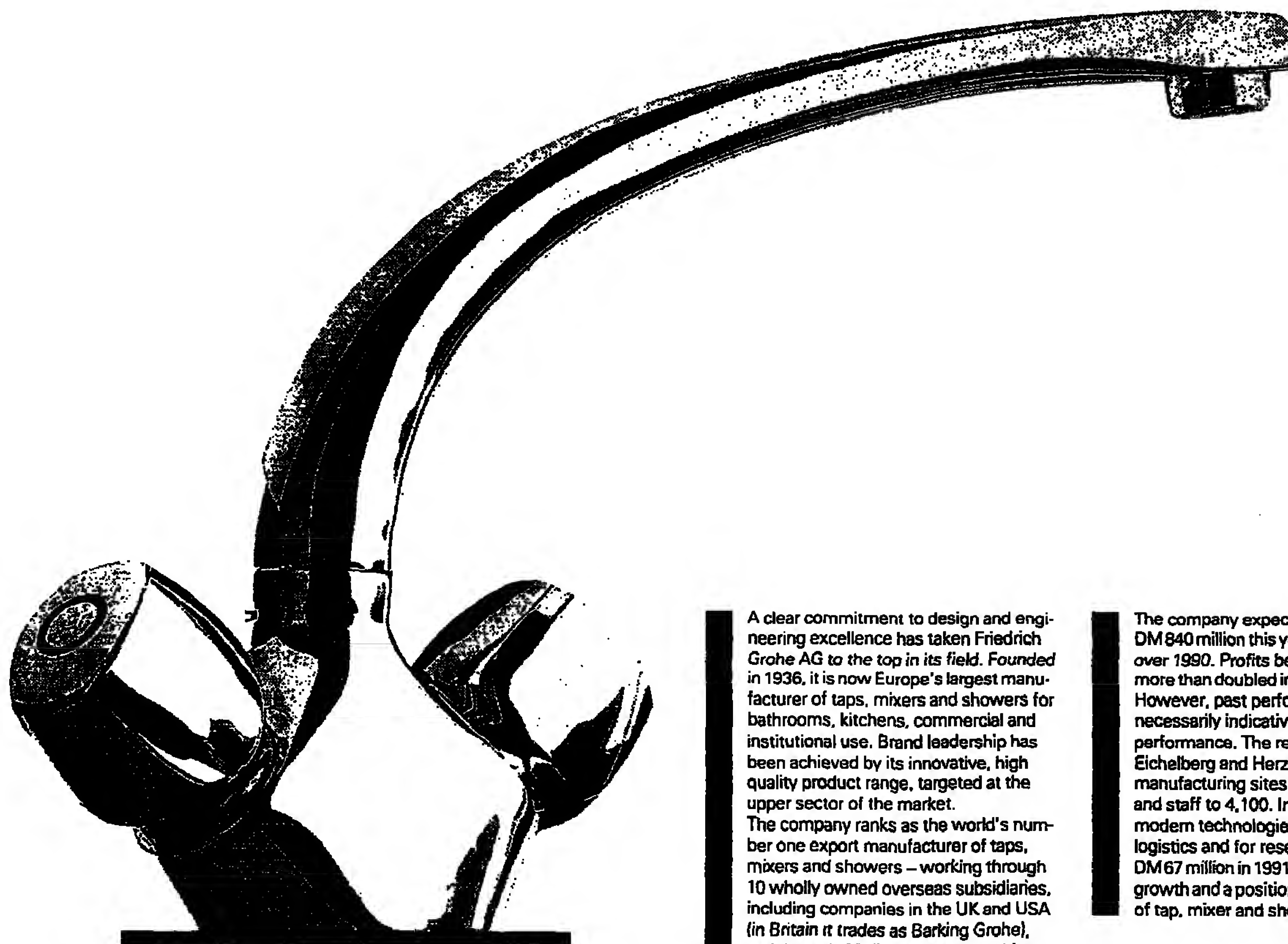
● Nippon Life Insurance (Japan) will require seven years to turn in a profit at New England General Life Insurance of the US which it plans to acquire, Reuter reports from Tokyo.

"We plan to start [US underwriting] business next January, but it will take seven years until the business is in the black," Mr Jyosei Ito, president said.

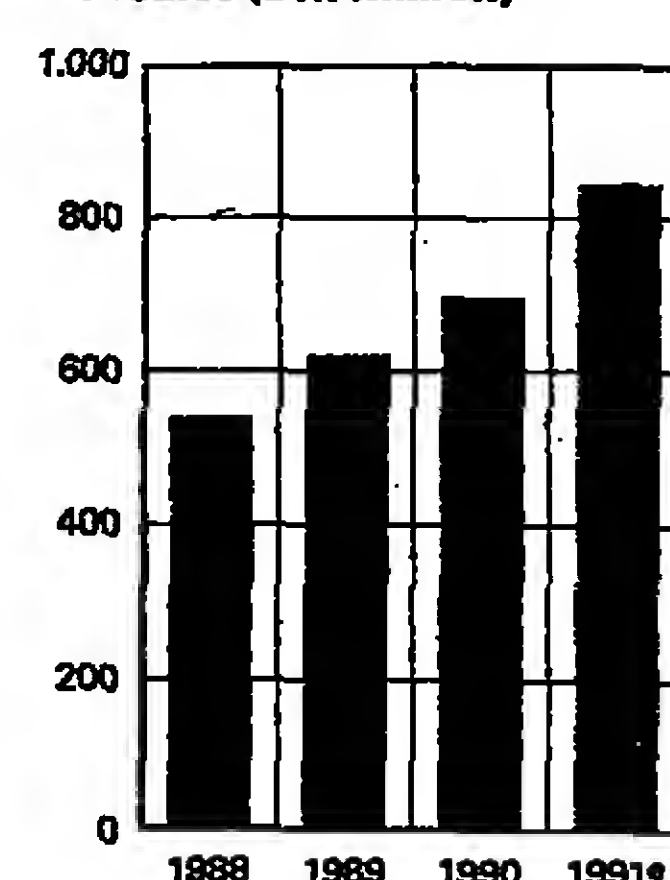
● Mitsubishi Corp, the Japanese trading company, posted a 31 per cent fall in consolidated pre-tax profits of Y18.5bn for the first half of September from Y24.48bn a year earlier, due to high costs and a rise in interest rate burden, AP-DJ reports from Tokyo. Net profits fell to Y30.59bn from Y34.64bn.

Initial Public Offering of shares in Friedrich Grohe AG

Europe's leading tap, mixer and shower manufacturer



Net sales (DM million)



A clear commitment to design and engineering excellence has taken Friedrich Grohe AG to the top in its field. Founded in 1936, it is now Europe's largest manufacturer of taps, mixers and showers for bathrooms, kitchens, commercial and institutional use. Brand leadership has been achieved by its innovative, high quality product range, targeted at the upper sector of the market.

The company ranks as the world's number one export manufacturer of taps, mixers and showers - working through 10 wholly owned overseas subsidiaries, including companies in the UK and USA (in Britain it trades as Barking Grohe), and through 56 distributors stretching from Australia to Iceland.

The company expects sales to exceed DM 840 million this year - a 20% increase over 1990. Profits before taxes have more than doubled in the past two years. However, past performance is not necessarily indicative of likely future performance. The recent acquisition of Eichelberg and Herzberg has increased manufacturing sites in Germany to four and staff to 4,100. Investing in the most modern technologies for production, logistics and for research - budgeted DM 67 million in 1991 - ensures continued growth and a position at the leading edge of tap, mixer and shower technology.

Enquiries from professional investors only (namely, persons whose ordinary business it is to buy and sell shares or debentures (whether as principal or agent)) should be directed to:

Friedrich Grohe AG
Hauptstrasse 137
5870 Hermer
Germany
Telephone +49 (23 72) 53-1
Telefax +49 (23 72) 5 33 22
Telex 8 27 433

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FRIEDRICH GROHE AG

Unremitting dynamism... unquestioned leadership

INTERNATIONAL COMPANIES AND FINANCE

Full bid for Au Printemps ruled out

By William Dawkins in Paris

PINAULT, the French timber-to-furniture retailing company, yesterday insisted that it would not enlarge its FFrs2.8bn (\$977.7m) bid for two-thirds of Au Printemps to include all the Parisian stores company's shares.

Mr. François Pinault, group chairman, said he could not afford to make a full bid for Au Printemps, valued at FFrs8bn, despite pressure from minority shareholders who want to be able to sell all their shares in the store group, rather than be scaled down in a 66 per cent offer. He planned asset sales of FFrs4bn to FFrs5bn over the next two years to curb Pinault's mounting debts.

The controversy is the latest

test of two-year-old French takeover rules, under which any investor buying more than a third of a company's shares must bid for two-thirds of the group, and does not need to launch a full bid unless it buys more than half the shares.

Mr. Pinault said that, because Pinault has only bought a 40.56 per cent stake in Au Printemps, it was only obliged to launch a two-thirds bid.

However, stockbrokers and minority investors have pointed out that the stake, bought from Maus-Nordmann, a Swiss holding group, until last week carried 50.4 per cent of the votes because some of the shares had automatically acquired double voting rights

because of the length of time for which they had been held. Maus-Nordmann made the double voting rights expire by selling the shares to one of its subsidiaries before selling them to Pinault. This ensured that the French group obtained less than 50 per cent of Au Printemps and without the obligation to launch a bid for all the outstanding shares.

Mr. Pinault admitted to a French newspaper yesterday that "if they had held on to them (the shares), we would have passed the 50 per cent vote mark". Maus-Nordmann had insisted on the transaction as a condition of sale, he said. He therefore saw no reason under French law why he

should make a full bid.

Stockbrokers have criticised Mr. Pinault's plans to finance most of the takeover by selling Conforama, his furniture retailing subsidiary, to Au Printemps for at least FFrs4.5bn. This would saddle the store group with debts, likely to affect its share price to the disadvantage of the remaining minority shareholders, said analysts. However, Mr. Pinault argued that Au Printemps would benefit from owning Conforama.

The final arbiter will be the Conseil des Bourses de Valeurs, which was yesterday awaiting formal notification of the offer terms. It then has five days to make a ruling.

Klöckner forecasts lower profits

By Christopher Parkes

KLOCKNER-Humboldt-Deutz, the German engineering group, is "walking the tightrope", says Mr. Werner Mr. Kirchgässer, the new chief executive.

The company would make a smaller profit this year than the DM30m (\$19m) reported in 1990, and it would be 1994 before "we earn real money", Mr. Kirchgässer told journalists.

Profits would have to increase to between DM100m and DM150m before KHD could pay a dividend, he said.

Meanwhile, group prospects were given a lift by the signing at the weekend of contracts worth DM500m to supply plant and equipment for a \$1.4bn aluminium works being built at Bandar Abbas in Iran.

KHD Humboldt Wedag, of Cologne, won the DM500m order for waste manufacturing and handling. Gutschel Electro-Fours, a Swiss subsidiary, would provide foundry equipment.

Mr. Kirchgässer said guarantees for half the total were being arranged with Germany's Hermes credit guarantee organisation and the balance would be covered by KHD's foreign subsidiaries.

The group, which last year made its first profits since 1986, expects sales for 1991 to rise 2.3 per cent to DM4.15bn, compared with the planned increase of 5 per cent.

Mr. Kirchgässer said turnover fell 2 per cent in the first half, but after restructuring, "KHD is bouncing again".

However, key markets for the group's main products - engines and agricultural machinery - were hardly growing, he said.

KHD depends on foreign sales for more than half its turnover.

The engines divisions will make losses this year, and farm products should break even as better sales of combine harvesters cancel out the slump in tractors.

KHD depends on foreign sales for more than half its annual turnover.

Merger could follow link between Interpolis, AVCB

By Ronald van de Krol in Amsterdam

INTERPOLIS, the insurance subsidiary of Rabobank, the Dutch co-operative bank, said yesterday that it would establish a cross-shareholding with AVCB, a fast-growing Dutch mutual insurer, as the prelude to a possible full merger in two years' time.

A merger would produce a mutual insurance group with annual premium income in the Netherlands of FF15.5bn (\$3bn).

This would put it behind the market leader, Nationale Nederlanden, which is part of the banking and insurance group Internationale Nederlanden, and ahead of Aegon and Amey.

However, these three other groups - which, unlike the

prospective merger partners, are all bourse-listed - are substantially bigger than Interpolis-ACVB if premium income generated abroad is included.

As a first step, Interpolis and AVCB, which is the slightly bigger of the two, will exchange cross-stakes of 20 per cent and begin talks on a full merger. Rabobank's ultimate share of the merged insurance company is expected to be slightly less than 50 per cent.

The proposed transaction marks a change of strategy in Rabobank's pursuit of "All-Finanz", the combining of banking and insurance activities in a broad financial services group.

In 1990, it took full control of

Interpolis in order to strengthen its insurance business. It is prepared to give up nearly half of the company in order to strike a far-reaching alliance with AVCB, which was itself the product of a merger in 1990.

Officials of Interpolis and AVCB said a merger would create a flexible group with three distinct distribution channels - direct writing, sales through Rabobank and business brought in by independent insurance agents.

The merger would also enable the group to expand overseas and to meet the increasing competition on the domestic Dutch market from foreign insurance companies.

Christian Dior details terms of shares sale

CHRISTIAN Dior, the prestige French fashion house, yesterday published the terms under which it is to sell 1.82m shares worth FFrs75m (\$146m) to the public, writes William Dawkins in Paris.

The shares, representing 6.1 per cent of the group's equity, will be sold at FFrs10. This is 14 times his earnings and capitalises Christian Dior at FFrs12.9m. Of the total, 1.2m shares will be floated on the Paris cash market, while the remaining 620,000 will be placed internationally.

Dior is 55 per cent controlled by subsidiaries of Financière Agache, the main holding company of Mr. Bernard Arnault, who also controls the LVMH champagne to luggage luxury goods business.

The shares for flotation are being sold by one Japanese and six French institutional investors.

Separately, Mr. Arnault announced yesterday that Christian Dior would next year take on a new menswear designer, Mr. Patrick Lavoix, former designer of menswear at Lanvin for 14 years.

Dior would continue its haute couture business, despite the decline in the number of clients and rise in costs of mounting collections, said Mr. Arnault. Haute couture was an affordable and necessary investment for a business of Christian Dior's size, he said.

AWA may have to lift Spanish bid

By Peter Bruce in Madrid

ARJO WIGGINS Appleton, the Franco-British paper group, is likely to be forced to raise its \$23m (\$41.17m) bid for Corporación Comercial Kanguro, the Spanish paper trader, after running into resistance from the Kanguro board and its advisers.

A statement yesterday by Mr. Aurelio Alcalá, Kanguro's chairman, said the board had been holding talks with AWA at the bidders' request, "which indicate they will consider a substantial improvement in their offer".

The AWA offer of Ptas2,700 a share last month carried a premium of about 13 per cent on the value of the Kanguro

stock, but the shares are now close to the offer price.

Nevertheless, an independent valuation of the Kanguro group after the initial bid said the group was worth at least \$31m. The valuation was based on Kanguro's local advisers, BBV Interactivos, by the Axel Group, which said in its review that the shares were worth between Ptas3,600 and Ptas4,200.

Awel Group said its valuation was based on discounted cash flow, comparable companies, transactions in the same sector in the European Community, and debt capacity.

"The AWA offer significantly undervalues Kanguro and cannot be recommended to

shareholders," the report said. "In the next five years Kanguro is likely to double its sales and profits."

Kanguro is one of Spain's leading stationery producers and paper distributors, with expected sales of Ptas10.3bn (\$101m) this year. The company is 20 per cent owned by Caspard, the large French distributor of office consumables.

Mr. Alcalá said the AWA bid had already sparked interest in the company from competitors. They are likely to include Unipapel, the Spanish market leader in paper distribution.

Consumption of writing paper in Spain increased by 12 per cent last year.

Tate & Lyle profits advance 7.6%

By Guy de Jonquières, Consumer Industries Editor, in London

IMPROVED efficiency and lower financing charges helped Tate & Lyle, the world's largest sweeteners group, increase pre-tax profits by 7.6 per cent to \$264.8m (\$419.53m) from \$238m in the year ended September 28.

Mr. Neil Shaw, chairman, said continuing businesses showed underlying growth, and overall margins increased to 8.7 per cent against 8.1 per cent last year.

Spending of \$184m on capital investment and acquisitions and \$186.3m on acquisitions and strategic holdings contributed to a \$149.5m rise in net borrow-

ings over the year to \$552.7m, while gearing rose to 75 per cent from 69 per cent.

However, interest charges fell to \$79.8m from \$95.8m and interest cover rose to 5.7 times profit before interest against 4.6 times a year ago. Mr. Shaw said the strength of the company's cash flow would enable it to continue to deliver above-average growth.

Adverse exchange rate movements, depressed commodity trading activity and disposals lowered turnover to \$3.26bn from \$3.44bn.

These chiefly affected results

in North America, where the Staley cereal sweeteners and starch business earned record profits before interest of \$78.2m (\$44m), compared with \$172.3m. However, in sterling terms, profits were flat at \$100m on turnover of \$677.1m, down from \$683.8m.

Cereal sweeteners also held up well in Europe, where CST's profits before interest rose to \$51.1m against \$46.8m on sales of \$468.7m, up from \$447.7m.

A final dividend of 7.5p was declared, bringing the total for the year to 11.2p against 10p.

Accor data passed to investors

By Andrew Hill in Brussels

ADDITIONAL information supplied by Accor, the French hotels group, about its bid for Wagons-Lits will be passed on to other disgruntled investors in the Franco-Belgian travel company as ammunition for their court cases against the bidder.

A Brussels court told Accor on Monday to answer 22 questions from institutional investors, which are unhappy with the offer price of FFrs6.50. The investors said yesterday they were not satisfied with several of the answers, but had decided to pass the data on to rise 2.3 per cent to DM4.15bn, compared with the planned increase of 5 per cent.

Mr. Kirchgässer said turnover fell 2 per cent in the first half, but after restructuring, "KHD is bouncing again".

However, key markets for the group's main products - engines and agricultural machinery - were hardly growing, he said.

KHD depends on foreign sales for more than half its turnover.

The engines divisions will make losses this year, and farm products should break even as better sales of combine harvesters cancel out the slump in tractors.

KHD depends on foreign sales for more than half its annual turnover.

ers, who begin court cases on the substance of the bid in Brussels tomorrow.

In its reply to the questions, Accor says no decisions have yet been taken on the future of Wagons-Lits. However, the French company discloses that Société Générale de Belgique, the Belgian holding company which is a minority partner in the bid - has a risk-free investment in Wagons-Lits.

The two companies bought a joint stake of 27 per cent in the Franco-Belgian group in June 1990, but La Générale has retained an option to sell its share of that investment to

Accor at the original price of FFrs12,500-a-share at any time before June 1993. Accor will also reimburse La Générale for its expenses, if it exercises the put option.

The dissident shareholders claim that control of Wagons-Lits changed hands in June 1990, a charge which the French group denies.

Accor says in its response to the shareholders that La Générale wanted to be sure that it could sell out of Wagons-Lits without taking a loss if it eventually decided that business was not part of its strategic objectives.

BZW in Czech venture

By Arlene Genillard in Prague

BARCLAYS de Zoete Wedd (BZW), the investment banking offshoot of Barclays Bank, and John Govett, an independent investment group, is linking with Komerční Banka, one of Czechoslovakia's leading commercial banks, to advise it on forming an investment fund.

The fund, which is expected to be one of the largest in Czechoslovakia, will invest in companies being privatised under the country's economic reform programme, and will operate on a basis similar to a

UK closed-end mutual trust. Under the plan, an estimated Kcs300bn (\$10bn) worth of equity will be distributed to Czechoslovak citizens in the form of vouchers early next year. These vouchers will become tradable shares once the privatisation process is completed.

More equity is also planned in a second phase next year.

Bankers, company managers and individuals able to raise Kcs1m have already created privatisation investment funds to invest the vouchers.

NEWS IN BRIEF

MR SILVIO Berlusconi has been named a board member of AME Finanziaria, the holding company that controls publisher Arnoldo Mondadori Editore. Reuter reports from Milan.

AMEF, which plans to merge with Mondadori, is controlled by Mr. Berlusconi's holding Fininvest.

THE NUMBER of bankruptcies in Finland rose 78 per cent to 4,387 from 2,466 between January and September compared with the same period in 1990, according to the Central Statistical Office. Reuter reports from Helsinki.



Golden Hope Plantations Berhad

(Incorporated in Malaysia)

Golden Hope

Directors:

Tun Ismail bin Mohamed Ali (Chairman)

Dato' Abdul Kadir bin Ibrahim

Zaini bin Zaidi bin Ibrahim

Mohammad bin Abdulrahman

Hwee Yoon Chong

Dr. Ng Cheong Sin

Abdul Rahman bin Ramli

To the Members,

INTERIM REPORT FOR THE SIX MONTHS TO 30TH SEPTEMBER, 1991

The Directors announce that the unaudited results for the six months to 30th September, 1991 were:

	Group	Company	Group	Company
	1991	1990	1991	1990
	MS'000	MS'000	MS'000	MS'000
Turnover	243,681	190,778	23,245	24,049
Investment and other income	2,564	3,017	5,009	2,675
Operating profit	37,951	24,870	8,882	2,928
Associated Companies	5,088	5,372	—	—
Profit before taxation	43,049	30,248	8,882	2,928
(See Note 1)	—	—	—	—
Taxation	13,437	11,595	1,319	996
(See Note 2)	—	—	—	—
Profit after taxation but before extraordinary item	29,612	18,653	7,563	1,932
Minority interests	624	1,187	—	—
(See Note 3)	—	—	—	—
Extraordinary item	28,988	17,466	7,563	1,932
Profit attributable to shareholders	28,988	17,466	7,563	1,932

NOTES

	Group	Company	Group	Company
	1991	1990	1991	1990
	MS'000	MS'000	MS'000	MS'000
1) After charging				
— interest	2,408	151	1,861	35
— depreciation	12,150	12,397	1,371	1,573
2) Taxation includes				
— Current	12,377	9,529	1,319	996
— Deferred	721	1,830	—	—
— Associated Companies	339	236	—	—
3) The extraordinary item comprises:				
— West Malaysian tax credit	—	156	—	—
4) There were no pre-acquisition profits included in the results for the half year.				

Profit after taxation but before extraordinary item as a percentage of turnover.

Profit after taxation and minority interests but before extraordinary item as a percentage of shareholders' funds.

Net earnings per share (in sen)

Net tangible assets backing per share.

	1991	1990	1991	1990
	Group	Company	Group	Company
	12.2%	9.8%	1.6%	1.0%
Profit after taxation but before extraordinary item as a percentage of turnover	12.2%	9.8%	1.6%	1.0%
Profit after taxation and minority interests but before extraordinary item as a percentage of shareholders' funds	12.2%	9.8%	1.6%	1.0%
Net earnings per share (in sen)	12.2%	9.8%	1.6%	1.0%
Net tangible assets backing per share	12.2%	9.8%	1.6%	1.0%

The substantial increase in profit is mainly attributable to higher prices and to a lesser extent higher sales volume of palm products. Our property operation has also started to contribute towards the profit of the Group. Plantation profit in the second half year should increase significantly with the expected increase in commodity prices and sales volume. In addition, our property operation will continue to contribute to the Group's profit.

HARVESTED CROPS - TONNES

	1991	1990
FFB	640,382	590,504
Palm oil	129,722	119,861
Palm kernels	37,666	35,381
Rubber	17,443	19,208
Cocoa	3,938	3,327
Copra	3,223	4,368

COPIES OF THE COMPANY'S INTERIM REPORT

A copy of the Company's Interim Report will be posted to shareholders on 2nd December, 1991. Copies will also be available from the Company's registered office and the Branch Registrar, Barclays Registrars, Bourne House, 34, Beckenham Road, Kent BR3 4TU, United Kingdom.

KUALA LUMPUR, 27th November, 1991

By Order of The Board
Norin bin Abdul Samad
Secretary

PANTHER LTD

Series A

US\$100,000

Secured Floating Rate

Notes due 1995

accrued by first charge over

Yen 10,000,000,000 aggregate

nominal amount of

ASLE-OSER Finance N.V.

5 1/2 per cent. Variable Redemption

Amount Notes due 1995 guaranteed

by Allgemeine Sparkasse

Lijnden (Netherlands) / Caisse Generale

d'Epargne et de Retraite.

For the six months November 25,

1991 to May 26, 1992 the Notes will

carry an interest rate of 5.22% p.a.

The coupon pertaining to each Note

of US\$100,000 for this interest period

will be US\$2,653.50 and will be

payable on May 26, 1992.

Listed on the Luxembourg Stock

Exchange

IBJ International Limited

Agent Bank

The Mithrasbank, Limited

Calculation Agent

The Mithrasbank, Limited

Calculation Agent

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INTERNATIONAL CAPITAL MARKETS

Issues swamp Eurobond's Canadian dollar sector

By Tracy Corrigan

A FLOOD of new issues swamped the Canadian dollar sector of the Eurobond market yesterday, taking advantage of attractive swap opportunities.

Spain, meanwhile, launched the largest ever Eurobond offering in French francs, totalling FF750m.

Most dealers said demand for Canadian dollar securities remained cautious in the wake of the sharp fall in the bond market earlier this month, and some jitter on the currency.

Although the market has since stabilised, some investors are starting to feel that the almost year-long bull run may be over.

The Canadian government bond market, fixed in volatile trading conditions as dealers sought government bonds to hedge swap positions taken in conjunction with the new Eurobond issues.

The Republic of Finland launched a C\$250m seven-year deal, which was swapped into Canadian dollars at 100%.

Meanwhile, the largest ever deal in the French market met firm demand. The FF750m transaction for Spain, increased from FF500m, has an unusually long maturity of 15 years.

Spain, which is keeping the proceeds in fixed-rate French francs on the view that the currency risk is slight, was keen to lock in long-dated fixed-rate funding, and the French market is possibly the market where deals beyond 10 years are feasible. Lead manager, Credit Lyonnais, esti-

mated that around two thirds of the deal was placed outside France.

SWISS Bank Corporation is to tender for a maximum of \$200m of Eurobonds issued by the Australian Wheat Board, its second tender for its own account this month. Most of the 9.5 per cent bonds due December 1993 are believed to be held by Swiss retail investors.

As lead manager of the original transaction, Swiss Bank will be in a stronger position to tease out these bonds.

Last week, SBC tendered for two Commonwealth of Australia Eurobonds, many of which were held by Swiss investors. The bank declined to comment on the results of that tender.

CREDIT Lyonnais has increased its \$250m offering of three-year bonds launched last week to \$270m, after investors exercised the option to increase holdings by 20 per cent. The option expired yesterday.

STANDARD & Poor's has lowered the Eurocommercial paper and certificates of deposit ratings of Gota Bank and the US commercial paper rating of Gota Bank Inc., guaranteed by Gota Bank, to A-2 from A-1.

All ratings are removed from S&P's CreditWatch surveillance.

At present, for regulatory purposes, UK securities companies can use subordinated debt of up to four times their shareholders' funds. Under bank rules subordinated debt would not be able to exceed shareholders' funds.

Also, securities companies would be subjected to EC rules on bank exposure limits, limiting their exposure to a particular client as a proportion of their capital base.

Mr Richard Bredon, chairman of the UK Securities and Exchange Commission, said the main task ahead of the technical committee of IOSCO, the international grouping of securities regulators, is to meet the Basel group of bank supervisors in January to discuss convergence in capital rules.

Brokers 'should meet capital adequacy'

By Richard Waters

SECURITIES companies should conform to all aspects to the same capital adequacy rules as banks, according to the latest in a string of controversial proposals from the European Commission.

If adopted, the proposal would force non-bank securities companies to increase their capital, forcing up their costs. The proposal has sparked concern particularly in the UK, where non-bank companies dominate the securities industry.

Brussels proposes in the Capital Adequacy Directive that securities companies should be subjected to the same rules on capital adequacy. This argument has won the general support of international securities and banking regulators, who have been attempting to reach agreement on common capital rules.

However, the Commission has now gone further by proposing that all of a securities company's business should be subjected to bank-style rules, not just its securities rules.

This would mean, for instance, that agency brokers firms (which do not take securities on to their own books) would have to comply with bank capital rules. That would catch such leading UK securities houses as Cazenove, as well as some of the largest retail brokers in the country.

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Bulgaria enters the bourse business

Judy Dempsey on preparations for the country's first stock exchange

IF Mr Victor Parazov has his way, Bulgaria will have its first stock exchange by Christmas. The newly-elected Bulgarian government is racing against time to draw up plans for privatisation, introduce a new banking law, and revamp its foreign investment legislation.

However, despite the awesome schedule, Mr Parazov, the 33-year-old chief executive of the First Bulgarian Stock Exchange, says the exchange must be in place before the reforms get under way.

"Of course, we need companies in order to trade. But now is the time to train staff, attract private investment, and make sure we are prepared for the government's privatisation programme," he said.

Setting up a stock exchange in a country where, until recently, private companies were banned and the state controlled almost the entire economy, has not been easy. However, Mr Parazov is spending three weeks visiting merchant banks, seeking advice, and finding out what mistakes to avoid.

"The first thing we had to do was to find private investors to set up the exchange," he said.

The exchange is funded by 10 Bulgarian shareholders who together have raised capital worth Lvl60m (\$50,383). "No



Filip Dimitrov: government has had to redraw laws

one shareholder can hold more than 10 per cent of the shares because we don't want to make the exchange into another monopoly," Mr Parazov said.

The investors include the Credit Bank, Bulgaria's first private bank; an insurance company based in Sofia, the Bulgarian capital; and an industrial trading company.

"I reckon that we will be up and running in about 20 days time. Initially, we will trade in bonds, and bills of exchange. But I expect it to expand once the parliament finally passes a new privatisation, banking, and foreign investment law," he said.

The Bulgarian government, which is headed by Mr Filip Dimitrov, a 36-year-old lawyer and leader of the Union of Democratic Forces party, has had to throw out a banking law drawn up by the former communist regime because it did not allow the required degree of competition.

Similarly, a privatisation law passed earlier this year effectively allowed state-owned enterprises to be privatised as monopolies. "We need competition as quickly as possible," said Mr Parazov.

In addition, a new foreign investment law, aimed at giving foreign companies tax holidays - the right to repatriate profits in hard currency - has still to be drawn up.

"The reforms will not be effective without foreign investment, or real competition," said Mr Parazov, who spent several years working with an import-export trading company in Sofia.

His time in London was also instructive, to say the least. Mr Parazov now has no illusions about the needs of the stock exchange.

"I have seen all this wonderful computer equipment here. But all I want, initially, are second-hand computers - even a blackboard. After all, what good are computers when we have very serious energy short-

ages and power cuts in our country," he asked.

"But apart from some equipment, what we really need are skilled people to get the exchange off the ground. We need good advice."

For all his enthusiasm and energy, Mr Parazov is not convinced that the Bulgarians are ready for the sort of risks associated with share markets.

"That is what a stock exchange is all about," he said.

"You must remember that, for the past 40 years, the Bulgarian people never had to take risks. It was a world of security."

Mr Parazov is pinning his hopes on the younger generation. "This will take time. I recently asked a friend of mine why he was not going to go into the private sector. He replied: 'It's not worth it.'"

Undaunted by old attitudes, Mr Parazov believes that if the new government is committed to reforms which will legally protect the private sector, it might encourage younger people to start taking risks.

"We have a lot of work to do. We have a lot of damage to repair," he said, adding that one of his first tasks when he returns to Bulgaria next month is to find premises for the new trading floor.

Futures market launches closer

By Tracy Corrigan

PLANS for the development of European futures markets will be added to the screen trading system later.

Meanwhile, at a meeting on Monday, the Bank of Italy outlined the structure of the new futures market, which will be added to the existing screen-traded cash market for Italian government bonds. An agreement between the primary dealers, the Bank of Italy and Consob, the regulatory authority, is expected to be signed by the end of the year.

The main task ahead of the market's launch will be the setting up of the clearing house. Primary dealers will become shareholders in a new clearing house, which will be created to serve the futures market. The structure is standard for futures markets.

The next step is for a ministerial decree to pave the way for the creation of the market. Already in draft form, the decree is expected to be issued in the next few months.

However, the new market will have to compete for business with the London International Financial Futures Exchange and the MTF, the French futures exchange, which started trading Italian government bond futures contracts in September.

The market in BTPs - the long-dated fixed-rate Italian government bonds which are the underlying instruments for future contracts - has developed swiftly, and outstandings now total L227,000m. Around 40 per cent of trading in these instruments is believed to take place outside Italy.

Group of banks wins \$496m Air India mandate

By R.C. Murthy in Bombay

A CONSORTIUM headed by Citibank and ANZ Banking has won a mandate from Air India to finance the acquisition of four Boeing 747-400 aircraft worth \$496m.

This is the first significant loan for an Indian company since the country's credit rating was downgraded last year.

However, the financing package does not have a government guarantee. As an international airline, Air India generates adequate foreign currency earnings to service the debt, and does not have to depend on India's foreign exchange reserves.

The consortium has offered to underwrite the total cost of four Boeing 747-400s.

NEW INTERNATIONAL BOND ISSUES

Issuer	Amount m.	Coupon %	Price	Maturity	Fee	Book runner
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC
REPUBLIC OF FINLAND (a)	250	9	101.95	1998	1/8	SBC

Amount increased from C\$100m. Non-callable. (a) Callable on 10/10/92 at 101 1/2%, on 10/10/94 at 101 1/2%, on 10/10/96 at 101 1/2%, on 10/10/98 at 101 1/2%. (b) Coupon pays \$7.50 over 3-month Libor, then steps up to 100bp over 3-month Libor. Average life - 1.5 years. (c) Coupon pays 75bp over 3-month Libor, then steps up to 100bp over 3-month Libor. Average life - 5 years.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS		Wednesday November 27 1991									
& SUB-SECTIONS											
Figures in parentheses show number of stocks per section		Index No.	Day's Change	Est. Yield (%)	Yield/Growth (Mkt vs Est)	Grw/Growth (Mkt vs Est)	Est. P/E Ratio	1991 Adj. P/E Ratio	Index No.	Index No.	Index No.
1	CAPITAL GOODS (138)	758.22	-0.7	9.11	6.42	13.98	35.34	763.18	755.97	756.45	722.81
2	Building Materials (23)	914.04	-1.2	8.01	6.81	16.49	91.25	925.51	918.27	923.18	903.64
3	Contracting, Construction (30)	1005.62	-0.7	7.92	7.28	18.02	51.30	1006.21	1005.68	1012.80	1165.62
4	Electronics (10)	2290.92	-0.9	10.09	6.18	12.62	98.23	2301.57	2292.10	2292.64	2292.64
5	Engineering-General (43)	1230.92	-2.2	11.31	5.82	11.23	32.97	1231.30	1231.83	1232.36	1232.36
6	Engineering-Aerospace (6)	323.41	-1.0	17.33	8.03	6.77	18.52	326.79	325.34	327.04	396.89
7	Engineering-General (43)	499.41	-0.9	10.60	5.45	11.62	17.78	493.68	493.22	494.61	559.76
8	Metals and Metal Forming (9)	317.09	-0.4	2.13	11.10	25.21	318.21	317.64	318.12	318.64	401.63
9	Motors (12)	302.28	-0.8	5.56	7.97	15.50	17.56	303.59	303.88	304.35	305.35
10	Other Industrial Materials (20)	1522.54	+0.4	7.88	5.37	15.08	58.79	1513.73	1492.45	1489.32	1240.86
11	CONSUMER GROUP (19)	1533.59	-0.8	5.35	3.66	16.39	38.15	1545.80	1533.92	1533.92	1203.03
12	Breweries and Distillers (22)	1387.66	-0.9	8.28	3.60	16.68	39.79	1394.06	1391.92	1391.92	1252.53
13	Food Manufacturing (10)	1184.47	-0.6	7.32	4.92	17.94	47.66	1184.92	1184.92	1184.92	1016.36
14	Food Retailing (17)	2342.04	+0.3	9.95	3.55	13.06	58.56	2332.25	2284.62	2281.21	2219.56
15	Health and Household (23)	9925.89	-1.2	5.23	2.45	21.98	72.62	9933.23	9973.84	9915.02	2408.86
16	Hotels and Leisure (24)	1296.55	-1.4	7.86	5.43	15.73	45.41	1314.31	1310.52	1302.87	1229.65
17	Media (26)	1435.80	-0.6	7.32	4.92	17.94	47.66	1444.92	1438.30	1429.35	1020.35
18	Packaging, Paper & Printing (17)	738.36	-0.4	7.80	5.30	16.58	24.43	737.36	736.78	736.78	509.59
19	Retail (32)	988.03	-0.8	7.60	3.75	17.26	26.74	995.81	983.22	978.01	811.39
20	Textiles (10)	615.00	-1.4	7.55	5.05	16.97	21.18	623.95	621.66	625.89	439.99
21	TOBACCO GROUP (10)	1292.94	-0.9	5.46	12.73	12.73	39.16	1293.38	1293.38	1293.38	1293.38
22	Business Services (12)	1385.64	-0.1	7.18	4.72	17.69	46.39	1394.50	1375.85	1384.21	1100.00
23	Chemicals (21)	1384.76	-0.6	7.19	5.30	17.27	54.15	1392.65	1380.65	1381.89	1049.29
24	Cosmetics (11)	1399.83	-2.0	10.32	7.49	11.74	38.93	1409.12	1410.26	1391.91	1307.14
25	Electrical (14)	2282.94	-0.9	8.54	4.92	17.94	47.66	2283.58	2283.58	2283.58	2283.58
26	Electricity (16)	1167.66	-0.7	14.96	5.61	8.70	27.53	1173.64	1166.05	1167.97	0.00
27	Telephone Networks (4)	1422.19	+0.2	10.99	4.41	11.98	28.34	1419.26	1408.02	1392.25	1136.23
28	Water (10)	2240.53	-0.9	18.69	6.92	5.91	131.43	2250.92	2248.65	2244.44	2105.15
29	Miscellaneous (23)	1764.18	-0.8	5.68	5.62	24.29	72.38	1776.83	1772.37	1754.86	1584.86
30	INDUSTRIAL GROUP (481)	1253.75	-0.7	8.59	4.73	14.57	37.70	1262.38	1256.84	1250.75	1252.75
31	Oil & Gas (19)	1249.10	-0.8	11.39	6.19	11.61	102.27	1267.36	1266.96	1260.17	2365.57
32	500 SHARE INDEX (500)	2262.45	-0.7	8.92	4.91	14.15	40.47	1332.67	1327.91	1329.89	1131.81
33	FINANCIAL GROUP (91)	737.52	-1.5	6.32				741.31	748.81	742.71	737.54
34	Banks (9)	857.88	-2.5	4.86	6.22	38.93	37.46	879.47	874.74	864.78	726.36
35	Insurance (General)	435.25	-0.9	6.58	6.58	14.61	32.56	442.16	435.56	441.55	347.53
36	Insurance (Life) (7)	435.25	-0.9	6.58	6.58	14.61	32.56	442.16	435.56	441.55	347.53
37	Insurance (Life) (7)	435.25	-0.9	6.58	6.58	14.61	32.56	442.16	435.56	441.55	347.53
38	Insurance (Brokers) (10)	989.49	-2.0	8.26	6.76	15.94	49.41	1000.63	994.92	995.32	455.00
39	Merchandise Banks (10)	471.22	+0.5	4.55			14.89	467.73	467.62	474.61	355.12
40	Finance (CSP)	768.83	-0.5	6.18	7.24	22.81	11.81	777.76	772.29	769.74	769.74
41	Other Financial (12)	867.98	-0.5	11.86	7.24	22.81	11.81	880.23	872.29	869.74	769.74
42	Investment Funds (70)	1167.28	-0.5		3.70		30.42	1172.67	1165.88	1163.50	1008.05
43	ALL-SHARE INDEX (661)	1183.06	-0.8	5.05			40.06	1192.58	1185.34	1182.51	1051.05

UK COMPANY NEWS

Unigate little changed at £43.3m

By Andrew Bolger

UNIGATE, the food and transport group which in June announced a restructuring of its business, yesterday reported flat profits for the six months to September 30.

The group had still not disposed of the two businesses it wanted to sell - the JP Wood commodity chicken subsidiary and the car contract hire part of the Wincanton transport division - but said the fundamental strengths of the group meant it would not be rushed into a premature decision.

Mr Ross Buckland, who joined as chief executive in October last year, said the group was focusing primarily on food and related distribution. Future acquisitions were likely to be on a substantial scale.

Unigate made interim pre-

tax profits of £43.3m, compared with £41.4m in the same period last year.

However, the results were virtually unchanged after adjusting for losses made in the first half last year by businesses which were to be divested, weakening of the dollar and lower property profits.

Sir Brian Kellest, chairman, said: "Recent trading suggests that the bottom of the recession may have been reached, but conditions industry-wide remain difficult."

Turnover dropped from £1.21bn to £1.04bn. The group said its UK food businesses produced a resilient performance in adverse trading conditions, with operating profits of £26.5m (£23.7m).

Within that Unigate Dairies' profit increased from £11.3m to

£12.3m, in spite of a decline of just under 1 per cent in milk volumes. Doorstep sales, although down, were lifted by the acquisition of Abbotts Dairies in Kent, and supermarket volumes continued to grow strongly.

However, the Farm Foods division saw operating profit fall from £4.7m to £2.6m, reflecting the difficult market for turkey products, where continental European demand and prices were weak.

St Ivel Chilled Products improved operating profits, with increased sales of low-fat spreads and chilled deserts. The Gold low-fat spread and Shape yoghurt brands performed well, assisted by increased advertising.

The US Food division saw operating profits rise from

£8.1m to £8.8m. Restaurants' profit, although unchanged in sterling, showed a 9 per cent increase in dollar terms. New openings over the past year combined with close control of costs, contributed to further growth for the Black-eyed Pea chain.

Wincanton Distribution increased operating profits by 23 per cent to £5.4m, reflecting new distribution contracts and the continuing growth of Unigate Chilled Distribution.

Operating profits at Arlington, which sells and services vehicles, and National Car Auctions were flat at £1.7m. Earnings per share were 12.7p (12.1p) and the interim dividend is maintained at 5.7p. Net debt of £123m gives gearing of 29 per cent.

See Lex

Banking cushions Hambros decline

By Richard Waters

A STRONG performance from the banking division at Hambros helped it largely to shrug off losses from its estate agency business in the first half, according to figures published by the merchant banking and financial services group yesterday.

Profits before tax and minority interests amounted to £37.6m in the period to September 30, compared to £42.5m in the first half of 1990.

Eurobond and treasury operations mainly accounted for the 23 per cent growth in banking profits to £40.5m (before central finance and other overhead costs). Provisions during the period were £4.7m (up marginally from £4.3m), leaving total provisions at less than 0.4 per cent.

Retail financial services returned a loss of £5m, largely as a result of the £4m loss already announced by Hambros Countrywide, its estate agency business. The loss cannot be set against other group earnings, pushing up the tax charge to 32 per cent during the period.

COMMENT

Hambros had a warm welcome for the new shareholders who have found their way to its register in the past few months, during which no less than a quarter of its shares have changed hands. After a half year in which about a quarter of the group's shares have found their way to new homes, after stripping out profits from investment sales (at just £3.2m, well down on the £11.5m in the corresponding period), Hambros' earnings advanced by some 11 per cent.

That is due entirely to the banking business, which pushed its return on capital to an annualised 24 per cent - unlike last year, when earnings growth had been due to an increase in capital employed. The bank felt confident enough on the basis of these numbers to increase the interim dividend on its voting shares to 4.2p (4p), and the market repaid the complement by pushing the share up by 16p to 270p on the day.

Michio Nakamoto reports on two water results North West rises 8% but rails against political intervention

NORTH WEST Water issued a strongly worded appeal for separation between politics and the regulatory regime as it unveiled half-year results which it said were affected by the UK recession.

Mr Robert Tidan, chief executive, criticised what he termed "undue political pressure" that has been exerted on both the industry and the regulator to reduce price increases.

Instead of recognising the benefits to the community coming from more profitable companies, "we have been pilloried from all sides and threatened with tougher regulation," he said.

Political intervention had interfered with the relationship of trust between the regulator and the industry. North West also criticised the dissemination by the regulator and politicians of what it said were "myths" about the industry as being recession-proof and low-risk.

"With the crop of results, the director general is going to have to rethink his position," the company said.

North West, which reported interim pre-tax profits up by 8 per cent to £123.7m (£114.9m), had felt the recessionary

impact in weak demand for measured income, which was up by 8 per cent but just over 5 per cent below budget.

The critical tone adopted by North West towards the attitude of Mr Ian Byatt, the regulator, and politicians on the industry's profitability, contrasts with the more accommodating approach of the three other privatised water companies which have announced interim results so far.

The 10 privatised water companies are due to deliver the industry's response to Mr Byatt's consultation document on the cost of capital on Friday.

The interim dividend is lifted to 6.54p (6p) on earnings per share up at 32.5p (30.3p). Although North West has agreed to a cost increase abatement next year, "I am fully justifying further cost increases and believe the reduction for next year is recession-related and should be one-off," Mr Dennis Croxall, chairman, said.

Operating costs in the core business rose by 4.4 per cent to £180.6m, although for the group as a whole costs rose by 34 per cent to £234.4m largely as a result of expenses

incurred by the process engineering division. This arm made a first-time contribution of £54m to sales and broke even after interest costs.

Investment expenditure was increased by 60 per cent to £246m resulting in the reversal into a net debt position with borrowings of £146.1m.

COMMENT

North West is making no secret of its resentment over the forced reduction in its increase next year and would like to see "the same forceful determination by the regulator" in accelerating price increases "when the pendulum swings the other way", as Mr Tidan writes. The danger of this strategy is that it could backfire if North West finds itself conspicuously out of line with the rest of the industry.

Forecast full-year profits are £238m and a dividend for the year of 19.9p gives a prospective yield of 7.5 per cent, or a 35 per cent premium to the market, which is somewhat above its historical premium. But whatever it does, political and regulatory concerns will overshadow the shares at least until the general election.

Northumbrian climbs 35%

TIGHT CONTROLS on operating costs helped Northumbrian Water Group, the smallest of the 10 privatised water companies, to record a 35 per cent increase in interim pre-tax profits, from £23.1m to £31.3m, despite a significant fall in interest income.

This ability to control operating costs restored margins to 27 per cent, against last time's 19 per cent which was lower than the industry average.

The interim dividend is increased by almost 10 per cent to 6.8p (£2p) on earnings per share of 44.8p (£32.5p).

"This was a judgment based on political, regulatory, customer and shareholder perceptions of the business," the company said. "It was evident that it could afford to increase the dividend more but it made sense to retain a large proportion of profits in the business, given the increasing insecurity of the business. Northumbrian has

agreed to abate its price rise by one percentage point next year. Some 60 per cent of pre-tax profits has been retained within the business for investment.

Demand held up well and turnover rose by 18 per cent to £96m (£83.2m). Northumbrian, which relies on supplying 30 per cent of its water to industrial companies such as British Steel and ICI, said that industrial demand had been firm despite the recession.

Site investigation is identified as an area for diversification where it would not compete with the other privatised water companies. The acquisition earlier this month of Earth Services makes it one of the three leading site investigation specialists in the UK.

James Duncan Group, an environmental services group, was also acquired for £3.6m during the first half.

The appointment, as independent directors, of Professor Sir Frederick Holliday, who is

an expert on the environment and a board member of Shell UK and British Rail, and Sir John Riddell, deputy chairman of Credit Suisse First Boston, strengthens the company's links both with the City and environmental issues.

COMMENT

Although profits were much in line with expectations, as was the encouraging fall in operating costs, there was some concern as to whether the latter have indeed been brought under control. Also, a sound diversification programme could make a considerable difference to Northumbrian's future, yet profits from this area have been modest, as the company itself says. Its waste treatment plants, the two largest projects, are still on hold.

Full-year profits of £55m and a total dividend of 20.4p gives a 7.4 per cent yield. It would not hurt to wait for the diversification to deliver the goods.

DTI clears four bids for Southern News

By Richard Gourlay

THE DEPARTMENT of Trade and Industry yesterday cleared four companies to bid for Southern Newspapers, the regional publisher of titles which include the Southern Evening Echo, after an investigation by the Monopolies and Mergers Commission.

The DTI's clearance of Emap, Pearson the publisher of the Financial Times, Reed International and Trinity International raises the prospect of the first significant takeover in the newspaper sector since United Newspapers' 1985 purchase of the Daily Express.

Under Takeover Panel rules, any one of the four companies can now bid within 21 days or wait until a year after the ref-

erence to the MMC, unless either the bid is recommended or another bidder emerges.

Trinity, which publishes the Liverpool Daily Post and Echo, triggered the rush of interest in Southern last July when it announced it was planning to make a hostile bid. Under UK laws any change of newspaper ownership needs DTI approval.

In July Trinity, Reed and Pearson all reserved the right not to bid for Southern even if their various bids were cleared.

Southern has a market capitalisation of about £30m but its shares are only traded on a matched bargain basis, thus making a hostile bid more difficult.

Mr James Sexton, chief exec-

utive of Southern, said yesterday that the group was well placed to trade successfully as an independent company, adding, "Should an offer be made, the will, of course, consider it on its merits."

One observer said the DTI clearance had started "an exquisite poker game" with no potential bidder likely to want to be first forward. Any bidder would most likely try to seek a recommendation from the Southern board.

The MMC came to the unanimous opinion that the transfer of Southern to Emap, Reed or Trinity would not act against the public interest. In Pearson's case, one member of the Commission said there would

be a loss of competition and choice for readers and advertisers in the Vale of Pewsey and Devizes and would operate against public interest.

Mr John Redwood, minister of corporate affairs, said he accepted the MMC's conclusion that the potential for Pearson to exploit its strong market position was small.

In the year to June Southern made pre-tax profits of £8.8m, down from £15m the previous year. The 1989-90 results were inflated by profit on the sale of Reuters shares and both years were depressed by extraordinary write-offs of an investment at Leading Leisure, a property company now in receivership.

COMMENT

Much as Tate & Lyle may protest that sugar is not in inexorable long-term decline, last year's performance was distinguished chiefly by its success in squeezing cost and cash out of static sales. Management is confident that efficiency gains will continue at a similar pace: increased annual operating profits of £10m are promised from just one project, an advanced US sugar extraction plant. Meanwhile, new non-

sugar products, notably Sucralose and Stellar, should start making contributions in the current year. Though the initial sums will be small, they - and sharply increased development spending - underline Tate & Lyle's commitment to diversifying into higher value added products. Add in the prospect of a modest recovery in the US soft drinks market and a better corn harvest, and £250m pre-tax (excluding currency fluctuations) looks easily achievable this year.

First orders for Tate & Lyle's new sweetener

TATE & LYLE said yesterday that it had received its first orders for Sucralose, the newly-developed calorie-free sweetener which was approved in September by authorities in Canada, the first country to authorise it for sale, writes Guy de Jonquieres.

Staley, the company's US cereals sweetener and starch company, also plans next spring to start producing Stellar, a corn-based fat substitute which it announced in June. Sales in the current year are

forecast at about \$15m (£8.4m). At full capacity, the plant will make about 12m lbs of Stellar annually, with a value of \$60m. Staley is in talks with more than 20 food manufacturers on plans to incorporate Stellar in their products.

Tate & Lyle, which believes the world market for fat substitutes could grow to \$1bn annually, doubled its spending on new product development to more than \$40m last year. Two thirds of the money was spent on cereal sweeteners.

"The global markets served by Tate & Lyle continue to benefit from inherent steady growth, unlike many other markets in times of recession. As a result we have enjoyed another successful year - the thirteenth year in a row in which we have reported increased profits."

Neil Shaw

Chairman & Chief Executive

TATE+LYLE

PRELIMINARY RESULTS	1991	1990	% Change
Turnover	£3,262m	£3,445m	-5
Profit Before Tax	£234.6m	£218.0m	+8
Earnings Per Share - basic	39.6p	36.0p	+10
Earnings Per Share - fully diluted	33.4p	30.2p	+11
Dividends	11.2p	10.0p	+12
Return on Net Operating Assets	22.9%	22.7%	

Preliminary announcement of results for the 52 weeks ended 28th September 1991.

Copies of the Annual Report for the period ended 28th September 1991 will be posted to shareholders shortly and will be available from:

N J Nightingale, Secretary, Tate & Lyle PLC, Sugar Quay, Lower Thames Street, London EC3R 6DQ.



Check out the market leader

Many a retailer has found life tough on the High Streets over the past 12 months.

But our pioneering policy of offering Britain's favourite brands at Britain's favourite prices continues to pay increasing dividends.

Not only have we maintained our leadership of the growing discount retail grocery market, we've improved on it.

Our policies have led to rising sales throughout our established stores.

And the 90 new stores we opened this year. We now have 750 Kwik Save stores in

England and Wales, with around 700 liquor and tobacco outlets.

As we said, our approach is paying dividends. 14.7p per share is the Board's recommended total for the year. Up 21.5% on last year.

	53 weeks to 31/8/91	52 weeks to 25/8/90	% Increase
Turnover	1,895	1,520	24.6
Inclusive VAT (\$m)	101.7	85.3	19.2
Pre-Tax Profits (\$m)	44.26	36.25	22.1
Earnings per share (p)			

CONFIRMING OUR POSITION AS BRITAIN'S NO. 1 FOOD DISCOUNTER.

For a copy of our 1991 Annual Report simply fax us on 0745 882005 or telephone 0745 882003/4/9. Kwik Save Group plc, Warren Drive, Prestatyn, CLWYD LL19 7BU.

UK COMPANY NEWS

London Electricity meets expectations

By Juliet Sychrava

LONDON Electricity yesterday confirmed City expectations by reporting pre-tax profits of £14.5m for the half year to September 30, compared with a pre-tax loss of £1.1m.

Earnings per share were 4.7p (0.7p). An interim dividend of 5p, an increase of 12 per cent, is declared in line with analysts' forecasts.

"We would expect a 12 per cent increase in the final dividend," Mr Roger Urwin, managing director, said. Shareholders could expect consistent growth in pay-outs thereafter.

The profits increase was largely the result of a 4.3 per cent rise in units of electricity distributed, which pushed operating profit up by 8 per cent. Although the company suffered from the impact of the recession on its smaller commercial customers, domestic sales improved by 8 per cent.

Because cash balances of £240m have been stripped away by the government since privatisation, the company incurred an interest charge of £5.6m; that compared with actual interest income of £14.4m last

year, although pro-forma interest income was £7.5m.

Costs were in line with the company's expectations. It did not make many job cuts over the six month period, but expected to cut manpower costs by 12 per cent over the next 4-5 years.

The company said it was well protected by contracts from rises in the pool or wholesale market where it buys its electricity, but like most regional companies was concerned about the additional "uplift" charge in the pool

price, which has been rising and cannot be hedged through contracts. If this continued to rise above forecast levels, Mr Urwin said, it could wipe out £10m of profit.

COMMENT

London offered investors fewer immediate carrots than Norwich, which announced its results on Tuesday. There has been no radical cost cutting, the company has employed more staff to deal with a bad debt problem, and its retail business is loss making. The

costs in its supply business are higher than expected, and it may find it hard to claw them back next year. Sales growth, however, was well above the 1-2 per cent expected for the industry, and the company pleased both customers and shareholders by indicating that tariffs would not rise by less than 10m next year, and the dividend would set a trend for the future. Analysts' forecasts for the full year are in a narrow £147-£149m range pre-tax, putting the company on a prospective p/e of about 6.3.

Chelsea future in doubt

By Jane Fuller

THE FUTURE of Chelsea Football Club has been thrown into doubt by the news that it will receive a demand today to pay nearly £23m within 28 days for its Stamford Bridge ground in west London.

Mr John Duggan, chairman of Cabra Estates, the property company which owns the club's ground, said yesterday that the independent valuation of £22.85m reflected a property contract. If Chelsea FC did not pay, the debt would be pursued vigorously, if necessary to the point of bankruptcy of the club.

He did, however, say that he "actually expected to get paid", even though he had so far failed to reach agreement with Mr Ken Bates, Chelsea's chairman. Their duelling goes back to April 1989 when Cabra, then Conrad Holdings, took over Marier Estates in an all-share deal worth £83m.

Cabra's market value yesterday was less than £13m.

Mr Bates told the Press Association he was confident the matter would be resolved in the near future, although he accused Cabra of having been obstructive and mentioned outstanding court actions.

Apart from finding funds to buy the ground, he has plans to build stands and to put flats, a hotel and a sports centre on the near 12-acre site.



Stamford Bridge: independently valued at £22.85m

The total cost, excluding the land, is estimated at about £100m. The club could have bought the site from the Mears family for £800,000 in 1982, before Marier paid £1.2m.

The valuation, released yesterday, came from Mr William Wells, a partner in Chesterton, the London firm of surveyors. His task was to assess the site's value in August 1988, the date that Chelsea FC exercised an option to buy.

The club was then in danger of eviction as a result of a deal - since rescinded - between Marier and Crest Nicholson, the building and property group. Chelsea's lease ran out two years ago.

Mr Wells' valuation was

well below the £40m-£60m figure put on the site by Savills, another firm of surveyors, in July 1988, although the status of planning consents and the club's tenancy cloud comparisons.

Cabra, which incurred a pre-tax loss of £11.5m in the year to March 31, will have to knock £10m off the balance sheet value of Stamford Bridge.

However, any money received from Chelsea will ease its net debts, which totalled £52m in March.

Cabra also owns Fulham FC's ground at Craven Cottage. Fulham plans to move in with Chelsea - if it keeps its home.

Bad debt provision hits Marston

By Philip Rawstone

FIRST HALF pre-tax profits at Marston Thompson & Evershed, the Burton-based regional brewer, fell 28 per cent under the impact of "the most difficult trading circumstances for over 20 years."

The decline from £9.82m to £6.99m in the six months to September 28 was marked by an exceptional provision of £2.5m against bad and doubtful debts among the £25m of loans to free trade customers.

Mr Michael Hurdle, chairman, said that provisions for at least a similar amount would be made in the second half of the year.

"The recession this year has deteriorated faster than we expected and there is no sign yet of any recovery in the beer market," he said.

Turnover rose by 9.4 per cent to £58.1m (£53.1m) while trading profit expanded from £9.42m to £9.89m. Overall beer volumes were just under 7 per cent down, only slightly ahead of the beer market as a whole.

Sales of Pedigree, the premium ale brand, through Whitbread continued a "disappointing" decline and volumes also dropped in other free trade outlets and tenanted pubs.

Mr Hurdle said the company's 151 managed pubs had performed "exceptionally well" to push profits 60 per cent higher. Profit from the 17 Tavern Tables catering houses more than doubled.

Earnings fell to 5.27p (7.22p) but the interim dividend is raised to 1.34p (1.25p).

Pentland to dispose of Reebok holding

Pentland Group, the British sports shoe company, has amended its filing with the US Securities and Exchange Commission to record its intention to sell its remaining 13 per cent shareholding in Reebok International, its US competitor.

Pentland has asked Reebok to prepare a shelf registration statement for filing with the SEC to enable the sale to go ahead. The statement will be open for six months or until the shares, worth about \$320m (£180m), are sold.

Caffyns declines to £297,000

By Peggy Hollinger

CAFFYNS, the Sussex-based motor distributor, maintained its interim dividend despite a fall in pre-tax profits from £807,000 to £297,000 and a warning on the outlook for the second half.

The group narrowly avoided falling to the break-even point with exceptional gains of £288,000 on the sale of properties. Turnover fell from £70.2m to £68.8m.

Mr Alan Caffyn, chairman, said the environment had been exceptionally tough. "The half

year... provided the most difficult trading conditions that I can remember," he said. "Furthermore, I do not see much chance of any major improvement in the second half."

The group closed two loss-making branches, which had been a "significant" drain on profits, said Mr Robert Caffyn, joint managing director. The Rover franchises had performed well and the new 800 series was drawing considerable interest, he added.

"We thought this result was quite good, bearing in mind the problems of the retail motor trade," he said. New car sales have fallen by some 25 per cent in the UK, hitting motor dealers' profits around the country. Earnings per share fell from 14.8p to 5.5p. The chairman said the board had taken "the long-term view" on the dividend and maintained the payment at 5p.

Sir Ron Brierley's IEP Securities holds a 29.9 per cent stake in the group.

Apollo raises dividend despite 15% setback

By Kenneth Gooding, Mining Correspondent

APOLLO METALS, the aluminium processing and distribution company, is to lift its annual dividend by 15 per cent to 3.45p despite a 15 per cent fall in annual profits and the fact that present trading conditions, in the words of Mr Derek Webb, managing director, remain "bloody tough."

He said there was no end in sight to the difficult conditions created by the UK recession and many customers were unable to do any forward planning.

Pre-tax profits for the year to end-September fell from £2.4m to £2.03m as margins were squeezed by price cutting and destocking by competitors. In 1990 there was an exceptional credit of £128,000.

Apollo's determination not to chase "business at any price" resulted in turnover showing only a marginal increase, from £26.9m to £27m. Fully diluted earnings per share fell from 12p to 10.3p.

Capital expenditure reached £1.7m but gearing at the year-end dropped from 11 per cent to 7 per cent. Net assets rose from £5.8m to £7.8m.

Apollo has also gained a foothold on the Continent by setting up a small sales office in Paris. It is considering a more substantial move in Frankfurt, according to Mr Webb.

Investor lifts Rosehaugh stake

Mr Ronnie Jarvis, a private investor, has increased his stake in Rosehaugh, the troubled property company, from 8 per cent to 10.5 per cent. The stake, bought by his company Ravensale and associates, was formerly held by Baring.

Mr Jarvis is a personal friend of Mr Godfrey Bradman, chairman of Rosehaugh, who is likely to leave his company once its future is decided. The company is conducting drawn-out merger talks with Stanhope, its partner on the Broadgate development in the City.

A month ago, Rosehaugh sold Rosehaugh Copartnership Developments, a portfolio of trading properties, to Ravensale.

Rosehaugh's results, which are likely to show heavy losses, are expected to be published by December 6.

BICC link with Japanese

By Andrew Baxter

BICC, the international cables and construction group, will today announce the creation of its first significant business tie-up with the Japanese, to exploit the emerging market for optical fibre earth conductors used in the power utility industry.

Phillips Cables, BICC's Canadian subsidiary, and Furukawa Electric of Japan have been awarded the world's largest order for the conductor, which incorporates fibre optics in a traditional earth conductor and is installed on high voltage power transmission lines.

The £37m (£13.4m) contract from Hydro-Quebec, the Canadian electricity utility, will result in a new joint venture company, Phillips-Fitel, which will be 60 per cent owned by BICC and 40 per cent by Furukawa.

The contract is spread over two years, but agreement in principle has also been reached to extend supply over a five-year period, which could bring the total contract value to more than £70m.

BICC is the biggest manufacturer of optical fibre outside the US, but recognised that it needed a technology partner to win the Canadian contract from some ten rival companies.

Furukawa has greater knowledge in optical fibre earth conductors. Manufacturing for the joint venture will be at a Phillips Cables plant in Rimouski, Quebec. Phillips-Fitel will invest more than £10m on manufacturing and test equipment for the plant.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
ABI Leisure	3.13	Jan 31	3.1	4.7	3.1
Apollo Metals	2.3	Jan 22	2	3.45	3
Caffyns	5	Jan 15	5	-	11.5
Capital Radio	3.5	Jan 17	3.5	5.25	5.25
Dunedin World	7.1	Jan 22	6.8	9.5	9
Hambros	4.2	Jan 13	4	-	12.8
Kwik Save	10.4	Jan 14	8.4	14.7	12.1
London Electric	5	Mar 24	-	-	10.65
Marston Thompson	1.34	Jan 21	1.28	-	4.48
Mid Kent Hodge	4.5	Jan 13	-	-	4.5
Moran	1	-	1	1	1
North West Water	6.01	Mar 2	6.2	-	16.6
North West Water	6.54	Feb 17	6	-	11.2
Tate & Lyle	7.5	Feb 11	6.7	-	10
Unigate	5.7	Jan 8	5.7	-	15.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. SUSM stock.

FUJITSU

Kleinwort Benson congratulates Fujitsu on the official opening of its new semiconductor factory at Newton Aycliffe, Co. Durham.

Kleinwort Benson Limited advised Fujitsu Microelectronics Limited on the £115,000,000 lease finance of equipment installed at the factory.

Kleinwort Benson

Issued by Kleinwort Benson Limited, a member of SFA and AIBD.

November 1991



CONTINUING GOOD PROGRESS

INTERIM RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 1991

- Profit before tax increased by 7.7% to £123.7m
- Earnings per share increased by 7.3% to 32.5p
- Interim dividend per share increased by 9.0% to 6.54p
- Investment expenditure increased by 60% to £246m

Dennis Grove, Chairman, said:

"Increased efficiencies and cost savings in the first six months have offset the effect of reduced industrial demand in the North West of England. At the same time substantial improvements continue to be made in quality and the standards of service to customers."

Our investment programme in the North West, to which our newly acquired process engineering companies have begun to contribute their experience and technologies, is on target and continues to meet its objectives. The benefits are flowing through for customers and the environment from our many completed projects, large and small, including at Cowpe in the Rossendale Valley the first of a new generation of water treatment works and at Sandon Dock, Liverpool, a major new works providing wastewater treatment for the first time for that city.

Continuing good progress has been made bringing benefits to customers and the environment during a period of economic uncertainty through which the business has also demonstrated its ability to respond quickly and efficiently. I remain confident of a satisfactory outcome for the year."

GROUP RESULTS

	Six months to 30 September 1991	1990	Year ended 31 March 1991
Turnover	372.9	286.5	598.5
Operating profit	126.1	97.8	186.6
Net interest	(2.4)	17.1	27.9
Profit before tax	123.7	114.9	214.5
Tax	(8.1)	(7.1)	(21.4)
Profit after tax attributable to shareholders	115.6	107.8	193.1
Earnings per ordinary share	32.5p	30.3p	54.3p
Dividend per ordinary share	6.54p	6.0p	18.0p

NOTES:
1. Figures are interim figures for the six months to 30 September 1991, which are unaudited, have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 March 1991. The results for the year ended 31 March 1991 are extracted from the published accounts for that period on which the auditors have an unqualified report and which have been filed with the Registrar of Companies.
2. Our process engineering companies, which are included in the interim results for the first time, contributed turnover of £34 million and operating profit of £3.6 million.

3. Tax: No liability to UK mainstream corporation tax arises. The tax charge comprises the same 10% of taxable advance corporation tax on the interim dividend, together with overseas tax of £0.3 million.

4. DIVIDEND PAYMENT: The dividend will be paid on 17 February 1992 to shareholders on the register on 3 January 1992 and will absorb £31.1 million. The provisional ex dividend date for the ordinary shares will be 9 December 1991.

NORTH WEST WATER GROUP PLC, DAWSON HOUSE, GREAT SANKEY, WARRINGTON, CHESHIRE, WA5 3LW.

MANAGEMENT: Marketing and Advertising

Educating Sharon

Martin Dickson explains how a 26-year-old whiz-kid has become a phenomenon in the personal computer industry



Dell Computer founder, Michael Dell: one of the key players in a vicious price war

It's Sharon on the line, phoning in from somewhere in Georgia, and has she got an annoying little problem: she's been trying to load this new software on her Dell computer but the darned machine just keeps telling her it can't "read the hard drive".

At Dell Computer's headquarters in the suburbs of Austin, Texas, Ray Shelton, a young technician with an easy smile and reassuring voice, dons a telephone headset and flicks a switch to take Sharon's toll-free call on the company's problem hot-line.

At Ray's side is a screen which he can use to call up information on every computer Dell has ever sold - a database containing more than 750,000 names and addresses.

All he needs is to tap in Sharon's system ID number and he can find out what model she is using, with what special features, and what its service history has been.

It is useful when you are trying to talk a customer through a difficulty. It's also rather handy for Dell's telephone salesmen when marketing new products.

Welcome to what Dell calls "direct relationship marketing" - a formula which has made the company one of the fastest-growing businesses in the US and a phenomenon in the personal computer industry, where it has become one of the key players in a vicious price war - yet so far this year still kept profits rising sharply.

Headed by the eponymous Michael Dell, a 26-year-old wunderkind who began the business in his college room, the company has grown from nothing in 1984 to a turnover this year of around \$800m (\$450m).

Dell assembles PCs at plants in Texas and Ireland and sells the products direct to customers, avoiding retail outlets with their high mark-ups. This has allowed it to undercut the larger companies.

Competition from clone-manufacturers like Dell and AST, another US rival, has eaten into the market share of industry leaders like IBM and Compaq and forced them to slash prices.

Dell's achievement is due in large measure to the "commoditisation" of the PC market: over the past five years personal computers have become so standardised in their technology and so reliable in performance that customers have grown reluctant to pay the kind of premium prices demanded by the IBMs and Compaqs, and prepared to order machines from companies like Dell over the telephone, without first trying them out.

However, Dell is much more than a simple cut-price "mail order" firm - for it tries to forge a close, direct relationship with its customers and offers them some of the best back-up services in the industry, all of which are designed to build brand loyalty.

This relationship is based mainly on the telephone. And this constant talking to customers gives Dell another edge - fast feedback on buyers' likes and dislikes. This allows it to respond extremely quickly to

changing market demands, and keep product inventory low.

Dell's PC sales method, he adds, reflects the way much larger mini computers have long been sold, "but by more efficient means - instead of going round in Cadillacs, waiting people out to lunch, we have six-minute phone calls which include all the necessities".

That is true up to a point. Yet Dell has also had to endure account executives in major US cities to handle its biggest corporate customers, and at the other end of the market it has begun to sell machines through computer "superstores" - cut-price supermarkets springing up across North America which allow manufacturers extremely thin profit margins.

Dell's success stems ultimately from Michael Dell's unusual combination of talents: an self-confessed passion for, and understanding of, technical "gizmos"; and a precocious entrepreneurial drive, demonstrated at the age of 12 when he earned \$2,000 from organising a stamp auction and at high school when he became a top Houston newspaper subscription salesman, earning \$18,000 by the age of 17.

It was in 1983, while a first-year student in the University of Texas at Austin, that he spotted the potential for selling computers directly to the end-user.

Dell, a quietly-spoken man with the air of someone older than 26, says he realised that while the normal retail distribution channels enjoyed high mark-ups they were not very efficient. People selling the machines did not know much about them - "they came from selling shoes, or cars or stereos or something" - and might take several days to fill an order for a specific model.

Dell began by selling mainly to computer enthusiasts who were prepared to tinker with machines themselves and came to realise that corporate customers would not bite in large numbers unless he added back-up services - crucially on-site PC repairs, which began in 1987.

Around 55 per cent of Dell's US sales of \$600m now go to Fortune 1000 companies and government departments, about 12 per cent to so-called Value Added Resellers - middle men who customise products for a client's special needs - and the remainder to medium and small businesses. It is

selling around \$300m of products a year internationally, mostly in Europe, where it recently set up manufacturing plant in low-tax Ireland. It has been particularly successful in Britain, its bridgehead to continental Europe, and is now enjoying fast growth in France.

Harris says Dell launched into the UK with some trepidation. Cassandras had warned that "people there just wouldn't spend \$5,000 to \$10,000 on a product over the phone, sight unseen" - but within two weeks of launch a guy walked into the office with £18,000 cash in his hands to buy computers.

But cut-price direct marketing will not get you that far unless you are selling quality goods, and Dell has developed a useful reputation for inexpensive, well-designed computers. The quality of its service is another selling point.

The company's manufacturing line has the flexibility to customise orders to buyers' specific needs and Dell is now even starting to load software on the production line. Most PCs are shipped in five or less days from the date of order.

Dell was the first PC manufacturer

to offer a toll-free hot-line for technical problems; guaranteed next day on-site service for its products (at no cost during the first year) through an outside contractor; and replacement machines by overnight delivery. It also runs a service which lets customers, using an automatic telephone system, get instant faxed copies of pages of Dell's technical computer manuals.

The company has given its telephone technicians the power to replace machines on their own initiative, without referring to more senior management. For small business customers, unable to rely on quick repairs by in-house computer experts, these can be life-saving services.

To maintain the quality of its service, Dell holds weekly "customer care" meetings, where it analyses problems which customers have encountered over the previous seven days and those that still need fixing.

Dell's sales are concentrated mainly at the less expensive end of the PC market, but it is now targeting the upper bracket. It is also starting to offer companies a service to network their PCs together.

Networking, says Joel Koerber, who is responsible for US sales, is another area of computing which is about to become "commoditised" - although sceptics question whether this is true in such a notoriously fiddly area, and what Dell can bring to the party.

Dell's progress has not been trouble-free. Two years ago its profits fell sharply after it got caught with too many high-priced memory chips and plunged large amounts of money into an extremely ambitious but abortive attempt to build an engineering workstation.

And it faces some formidable future threats. Its marketing formula is easily replicable, barriers to entry are low, and other companies are already trying to do to Dell what it has done to IBM and Compaq. Digital Equipment, the second largest computer company in the US, recently announced it would sell PCs over the phone, and Compaq is seriously considering the mail-order route. And these giants have one big advantage over the upstarts in the prolonged price war which is squeezing everyone's margins - much deeper pockets.

To maintain and expand its position, Dell will have to keep up a flow of quality new products and keep innovating in its marketing methods and back-up services, clearly identifying itself as unique creator of competitively-priced added value.

Michael Dell is well aware of this. He says the company has succeeded so far because of its flexibility and lack of preconceived ideas, and he adds: "the failure of all great creative companies is that they stop being creative".

How can he guard against that? "We have to question everything we do, and don't assume that because something worked last year, it will work this year. We have to recreate the business all the time."



Robert Louis-Dreyfus (left) and Jack Trout

What price a sharper image?

By Gary Mead

Who would spend £300 to sit for several hours in a large hall listening to speakers tell them things they should already know and practise?

Some 500 people attended the UK's Marketing Society annual conference in London last week, where they heard some of the great and the good consider the conference's theme, "Seven ways to sharpen your competitive edge". The lights dimmed as a massive screen carried images of famous sporting events and personalities, each showing their own particular "edge", accompanied by a sub-Charlie of Fire musical theme. There could have hardly been a more clichéd opening to a conference.

Never mind: at least the conference booklet was promising. "How will it be for you in 1992 and beyond, with yet more, even tougher competitors to fight off?" it asked. But anyone who turned up hoping for enlightenment would have left sadly disappointed.

Among the speakers, Jack Trout, a much-published US marketing analyst, proudly announced that, when it comes to selling a product, "truth has no real bearing on the issue".

Robert Louis-Dreyfus, the chief executive of Saatchi & Saatchi, praised the meteoric rise and glossed over the fall of his unhappy company, spicing his presentation with some of his favourite television ads.

After lunch, Sir Allen Sheppard, chairman of Grand Metropolitan, proudly noted his group's successes: "We expect people to achieve the impossible. We call this 'anti-gravitational management'. We set targets at the very edge of credibility - 'Magic Numbers'." He did, however, acknowledge that Häagen-Dazs' recent semi-naked ice-cream ads "are a little too sensual for my own taste".

Robbie Whitbread, marketing director of Sainsbury, emphasised the virtues of "quality, innovation, integrity, openness".

By the end of the day, the "need for a level playing field", the importance of being "first with that new product", the value of "learning from our mistakes", and having "a long-term view" had repeatedly been impressed upon the audience. But what had been learned? First, treat with scepticism the blurb on conference booklets. Second, marketing people, generally, are like the rest of us - happiest when trumpeting success stories. No one said "go out and learn languages"; the European dimension was an absent guest.

Hardly the best way to prepare for a single European market, it may be thought. But far be it from me to prick the balloon.

BUSINESS LAW

The limits of price competition

By Mark Friend and Derek Ridyard

One of the difficulties facing advisers in the antitrust field is that they sometimes have to give unpalatable advice to clients.

This is particularly so where the client is an company which has a dominant position in the market. Under EC competition rules, dominance refers to a degree of market power which allows a company to operate without taking into account the activities of its competitors and customers.

Dominance is usually indicated by high market share - typically 40 per cent or more - although other factors, such as barriers to entry, are also relevant.

If it is relatively easy for new competitors to enter the market, the opportunity to act independently of competitors and customers will be correspondingly reduced. Uncompetitive pricing will tend to attract new entry.

There is no rule against dominance in EC competition law, but the abuse of a dominant position is prohibited by Article 86 of the Treaty of Rome and may lead to fines and actions for damages in national courts.

Dominant undertakings are subject to a stricter regulatory regime under the EC competition rules than their smaller competitors. For example, certain behaviour which may be acceptable when practised by a non-dominant company will be regarded as an abuse under Article 86 when engaged in by a dominant firm.

An example of this is predatory pricing - pricing at levels below cost in order to discipline or eliminate a competitor. EC competition law does not prevent a non-dominant undertaking selling at a loss. However, such a pricing policy pursued by a dominant undertaking may infringe Article 86.

The problem in predatory pricing cases is to determine the dividing line between unlawful predatory action and legitimate competitive response. To lend an approach would make it easy for dominant firms to eliminate competition. Two interventionist stances could lead to the perverse situation in which competition policy is used to deter exactly the kind of vigorous rivalry between firms which it exists to promote.

Take the position of an established manufacturer of widgets with a market share of, say, 70 per cent which suddenly finds itself faced with a new entrant. In the absence of exceptional factors, a market share of 70 per cent would give rise to a presumption of dominance. How should the dominant producer react? Can it be expected to sit back and watch the erosion of its market share? How far can it go in reducing its prices to meet the competitive threat?

One solution is that pricing at or above average variable cost should be presumed to be unlawful. Although attractively simple, this price-cost rule creates problems. A system of anti-trust regulation which relied on it as a standard would be open to strategic manipulation by the dominant company (for example, deliberate decisions to over-invest so as to minimise variable costs), leading to potentially unfair results.

The point at which prices were to be considered predatory was the central issue considered by the European Court of Justice in the *Alzoco* case.

In 1979, a small UK company, ECS, found itself the victim of an allegedly predatory campaign on the part of the chemicals giant Alzoco, apparently designed to force it out of business when ECS started to encroach on Alzoco's customer base.

ECS was a small independent producer of benzoyl peroxide, an organic peroxide used as a catalyst in the manufacture of plastics and as a bleaching agent for the treatment of flour. Having started in business in the UK and Germany in competition with Alzoco, the market leader, selling at prices 15 to 20 per cent below Alzoco's.

In the late 1970s and early 1980s, Alzoco's share of the European market for the organic peroxides was about 50 per cent, compared to 1 per cent for ECS. In the UK market for bleaching agents, Alzoco was dominant. ECS found itself threatened by ECS that unless it withdrew from the plastics market, Alzoco would retaliate with overall price reductions and selective price cuts aimed at ECS's customers - particularly in the flour additives sector.

In December 1979, ECS brought proceedings for breach of Article 86 in the High Court and obtained an injunction preventing Alzoco from reducing its

selling prices. Alzoco subsequently gave an undertaking not to reduce its normal selling prices with the intention of eliminating ECS as a competitor, but was later alleged by ECS to have breached that undertaking.

In December 1982, European Commission officials raided Alzoco's premises and in July 1983 the Commission adopted "interim measures" (similar to an interlocutory injunction) prohibiting Alzoco from selling below specified prices and discriminating in the prices charged for comparable transactions.

At the same time, the Commission continued to investigate Alzoco's activities, culminating in December 1985 in a formal finding of infringement against Alzoco and the imposition of fines totalling £600m (£24m).

The Commission found that Alzoco's 50 per cent share of the market for organic peroxides gave it a dominant position which had been abused in a manner contrary to Article 86. Although Alzoco argued strongly that its prices could not be predatory since they were above average variable cost, the Commission rejected the use of any cost-based rule as a test for predation. Instead, it based its finding of abuse largely on the evidence of predatory intent on the part of Alzoco.

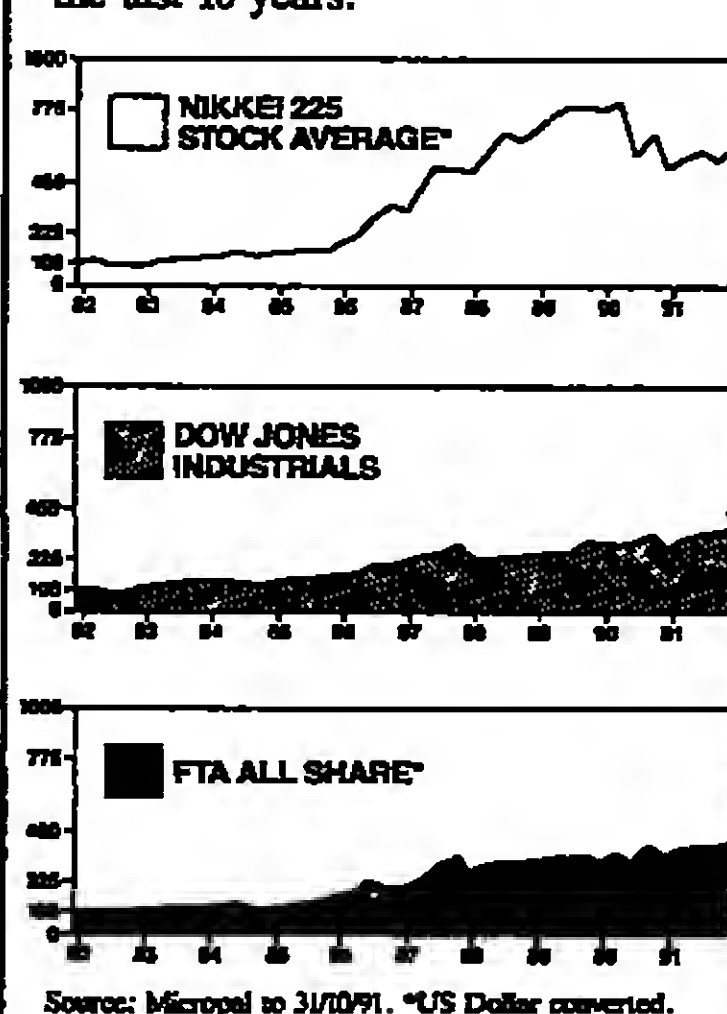
Some of this evidence, for example the threats issued by Alzoco and the detailed plans for retaliation, clearly suggest predatory intent. Other aspects of the case against Alzoco, such as its desire to maintain market share, and the fact that price cuts were targeted selectively at the areas where Alzoco faced competition, are more open to interpretation. Arguably, they signify nothing more than vigorous competition.

The problem for dominant undertakings and their advisers following the Commission's decision in *Alzoco* was that the line between competitive retaliation, clearly suggested by the Commission's decision, and predatory intent, clearly suggested by the Commission's decision, was substantially upheld by the Court, although the fine imposed on Alzoco was reduced to £207.5m, in part because the Court recognised that this was a relatively undeveloped area of the law.

Mark Friend is a partner in City solicitors, Allen & Overy. Derek Ridyard is a senior consultant with NERA, economic consultants.

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TECHNOLOGY

Ford puts out a cleaner cat

By John Griffiths

Ford is claiming a world first with a catalytic converter said to be fully effective within a few seconds of the vehicle being started. Conventional "cats" take several minutes to reach operating temperature.

The new system is the product of collaboration between engineers at Ford's research and engineering centre at Dunton, Essex, and experts at Cambridge University's engineering department.

According to Ford, the new cat reduces by 80 per cent the amount of unburned hydrocarbons and carbon monoxide emissions produced during the warm-up period.

A catalytic converter does not attain peak efficiency until it reaches 450 deg C. Ford's method involves heating the catalyst by briefly igniting a measured mixture of fuel and air in an "afterburner" slightly upstream of the catalyst.

Fuel for the afterburner is delivered via the exhaust stream by carrying the engine to run temporarily with an excess of petrol relative to air. The air is supplied via an electrically-driven pump. The principle is the same as applied to jet aircraft engines.

The system promises to be as effective, and potentially cheaper, than alternatives currently being applied by some makers of large-capacity vehicles, where the warm-up problem is particularly pro-

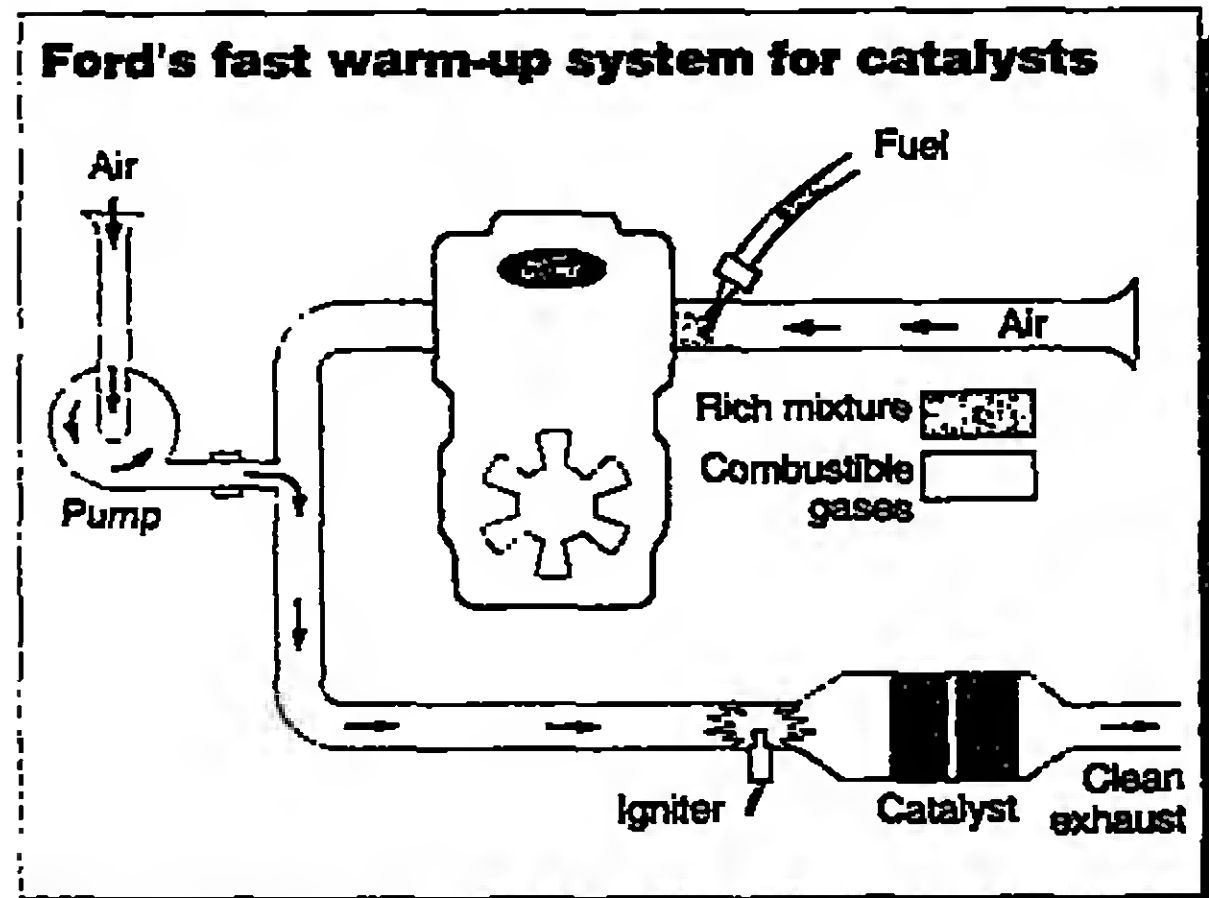
longed. Rolls-Royce uses a second, smaller catalyst close to the exhaust manifold to clean up the gases before they arrive at the main catalyst.

Another approach is to pre-heat the catalyst electrically. The drawback, however, is the large current required - up to 500 amps in the case of a 12-volt system.

"Since two-thirds of car journeys are less than five miles, the warm-up period of each journey accounts for a significant proportion of overall emissions," according to Tom Ma, Ford's technical specialist who has led the Exhaust Gas Ignition (EGI) project with Cambridge's Nick Collings.

On such a short journey, up to 80 per cent of total emissions could be produced during the conventional catalyst's typical two-minute warm-up period, says Collings. "So with the fast warm-up system, as many as three short journeys can be made and produce less emissions than a similar journey using current technology."

Ford, which claims title to the patent for the system, says it could be available on production cars within the next three years. It is not yet prepared to put a price estimate on it. However, since the temporary fuel mixture enrichment is mainly a matter of programming, the additional equipment involved - air pump, igniter and minor plumbing - is unlikely to add significantly to overall cost.



Turning a sow's ear into a silk purse is always difficult, especially when the seamstresses can't stop arguing about what the finished product should look like. Time is running out for the tailors trying to stitch Brussels' existing strategy on high-definition television (HDTV) on to new proposals which might satisfy Europe's television broadcasters and manufacturers.

The discredited 1986 directive on satellite broadcasting standards expires at the end of next month. The EC's broadcasters - not slow to spot a commercial opportunity - have already eluded the measure's requirement to broadcast using an intermediate standard, D2-Mac, by transmitting on lower-powered telecommunications satellites. They are likely to push on with alternative strategies and technologies if no replacement directive is approved.

Elsewhere, Japan began eight hours a day of HDTV broadcasts - using its own standard - on Monday, and the US is rapidly developing digital HDTV technology for broadcast by satellite, cable and terrestrial transmission.

But the EC debate is no longer bogged down. Last week in Strasbourg, the European Parliament approved a ragged patchwork of liberalising amendments to the European Commission's replacement HDTV directive. The Dutch presidency of the EC now intends to move the long-awaited meeting of EC telecommunications ministers (sole agenda item: HDTV) from December 5 to a date closer to Christmas. Filippo Maria Pandolfi, the embattled telecommunications commissioner, has indicated that Brussels will accept many of the Parliament's revisions.

Pandolfi's platform for the last six months of strife with member states has been the original draft directive. It would require all new satellite services to broadcast in D2-Mac - which provides pictures of slightly better quality than normal broadcasts - as a step towards the goal of a single, fully-fledged European HDTV standard, HD-Mac.

At the same time, Pandolfi has been straining to drag the industry interest groups closer together. Broadly, most broadcasters want a directive which would not end or stunt the development of existing services, which are broadcast successfully to a growing audience using other satellite norms. Electronics manufacturers,

Andrew Hill reports on the latest round of political wrangling surrounding European HDTV

Frayed at the seams

Model	Screen Size (inches)	Resolution	Price (£)
1000	100	1280x1024	24,000
1001	100	1280x1024	20,000
1002	100	1280x1024	18,000
1003	100	1280x1024	16,000
1004	100	1280x1024	14,000
1005	100	1280x1024	12,000
1006	100	1280x1024	10,000
1007	100	1280x1024	8,000
1008	100	1280x1024	6,000
1009	100	1280x1024	4,000
1010	100	1280x1024	2,000

such as Philips of the Netherlands and Thomson of France, want legislation which will back up their decision to invest heavily in D2-Mac technology.

Pandolfi's solution to this stand-off has been to plead with industry groups to sign a letter of intent and, in due course, a legally-binding memorandum of understanding which, alongside the directive, would promote the broadcast of HDTV programmes and the sale of new wide-screen televisions in a 16:9 format. The commissioner has also proposed incentives of Ecu1bn (£700m) over five years to encourage broadcasters to transmit their current services simultaneously in the existing satellite norms and D2-Mac.

The parliamentary amendments - most of them tabled by the French socialist MEP Gerard Caudron - would make the original proposal less restrictive.

Digital technology. For the first time, the Commission is ready to broaden its goal of HD-Mac as the only HDTV standard for Europe. That aim had worried those in industry

who suspected that digital HDTV technology - with its purer signal and more flexible application - would overtake analogue HD-Mac, sooner rather than later. The Commission seems likely to accept that HD-Mac should be the sole standard for any transmission "not exclusively digital".

However, Brussels is almost certain to reject one last-minute amendment - voted through "accidentally" according to some observers in the Parliament last Wednesday night - which appears to make HD-Mac completely optional. That would allow Japanese HDTV standards to be used in Europe, a relaxing of the original aims which would go further than even the most liberal critics of the measure would want.

Timing. HDTV is not a static technology. The "loophole" in the existing directive opened up partly because transmission of TV broadcasts via telecommunications satellites was difficult or impossible when the measure was being drafted. The Commission's original expiry date for the

new directive was the end of 2001, but the Parliament has proposed shortening the deadline to 1997. This would allow the EC to abandon an unworkable HDTV strategy based on old technologies, if new alternatives emerged.

The consumer. Consumer organisations complain they have never been formally consulted on the HDTV strategy. The Parliament has tried to meet such complaints by limiting the cost to the consumer of the new proposal, which had been estimated at up to Ecu21bn over 10 years.

Only new wide-screen 16:9 televisions would have to incorporate internal D2-Mac decoders, and then only from January 1994, rather than 1993. Ordinary 4:3 format televisions would still be available after that date, but would have to be manufactured with a socket for a D2-Mac decoder.

Simultaneity. This is perhaps the most contentious area and the one in which the parliamentary amendments are least clear. Broadcasters are opposed to any element of compulsory simultaneity, which involves broadcasting two signals simultaneously, because they say it would be too costly and impractical.

As drafted, the parliamentary amendments seem to quell some of those fears. They suggest that services beginning after the date of the directive's implementation, and using new satellites, would have to simulcast in D2-Mac and other norms. That steps back from the original draft, which restricted new services to D2-Mac only.

Simultaneous D2-Mac transmissions "will be sought" for existing pay-TV services from January 1 1994, and for other existing services from 1996, following a Commission report on the state of play in the EC satellite market.

The Commission's task is now to produce a presentable version of what emerged in Strasbourg last week. It will have to satisfy member states that vague references to "meaningful" financing in the parliamentary amendments can be defined and any cash commitments met from the stretched EC budget.

It is very easy to invent new names but much more difficult to invent new addresses and still get the stuff delivered. Fuzzy matching effectively works like a good postman who would be able to deliver the mail even if the address was slightly wrong.

Trap set for BT share fraudsters

By Hugo Dixon

Brian Smith has made 15 separate applications for BT shares in the expectation of making a killing in the UK government's share sale next week.

But, knowing multiple applications are illegal, he has disguised them by deliberately misspelling his name - Bryan Smith, Brian Smythe, B.C. Smith - and using slightly different addresses such as 4/157 Gloucester Terrace and 157-4 Gloucester Terrace (sic).

Given that more than 5m people have registered for the share sale, and that it is legal for several members of the same family to make separate applications, how do the government's advisers discover that Brian Smith has made multiple applications and distinguish him from the genuine applicants?

The answer is Trap - an "expert" computer system developed by accountants Touche Ross. The system was developed for previous government privatisations but has been continually updated to try to foil the latest tricks of the fraudsters.

So far, 282 letters have been fired off to people suspected of registering more than once, asking them to produce birth certificates for each person registered.

One replied: "Yes, I have 15 children but it will take an awfully long time to get their birth certificates." Another, a pensioner, wrote an angry letter claiming that the 20 registrations in his name were "unsolicited mail".

The letters are intended to deter people from carrying through with a fraud. But, if they persist, they can be fined or sent to prison. "Trap works in two phases. The first, known as 'fuzzy matching', highlights applications which appear to be from the same address. Touche Ross' Chris Rees explains: 'It is very easy to invent new names but much more difficult to invent new addresses and still get the stuff delivered. Fuzzy matching effectively works like a good postman who would be able to deliver the mail even if the address was slightly wrong.'

The second phase, the true expert system, sifts through the list of applications from the same address to see which look suspicious. In earlier privatisations, this job was done manually by Touche Ross's team of forensic accountants.

But when the electricity industry was privatised, Touche Ross's computer programmers sat down with the forensic accountants to tease out the rules of thumb they use to spot scams. These rules were then built into an expert system.

Although Trap cannot catch every fraud, Rees says people often give themselves away. One example is the "alphabet" application, where somebody applies with names like Albert Jones, Bob Jones, Charles Jones and David Jones.

Another is the "gas ring", so called because it was first identified during the British Gas privatisation.

This involves a conspiracy where each member makes an application not only from their own homes but also from the homes of every other member of the conspiracy.

Rees says putting the expertise on to a computer system has three advantages. First, it is more methodical because the computer uses the rules of thumb developed by every member of the team and does not get tired. Second, it is quicker - something important when the number of people applying for shares is so huge.

Finally, by catching routine frauds, it allows the forensic accountants - who will number 50 at the height of the investigation - to concentrate on spotting new wheezes.

The expert system can then be updated to search for other examples of the new fraud. During the electricity privatisation, for example, Touche Ross discovered that fraudsters were trying to avoid being caught by getting their building societies to write cheques on their behalf.

Touche Ross says it always needs to keep one step ahead of the game and it is therefore unwilling to reveal exactly how its system works for fear that fraudsters will then know what they can get away with. "I don't want to give the thieves too many clues," says Rees.

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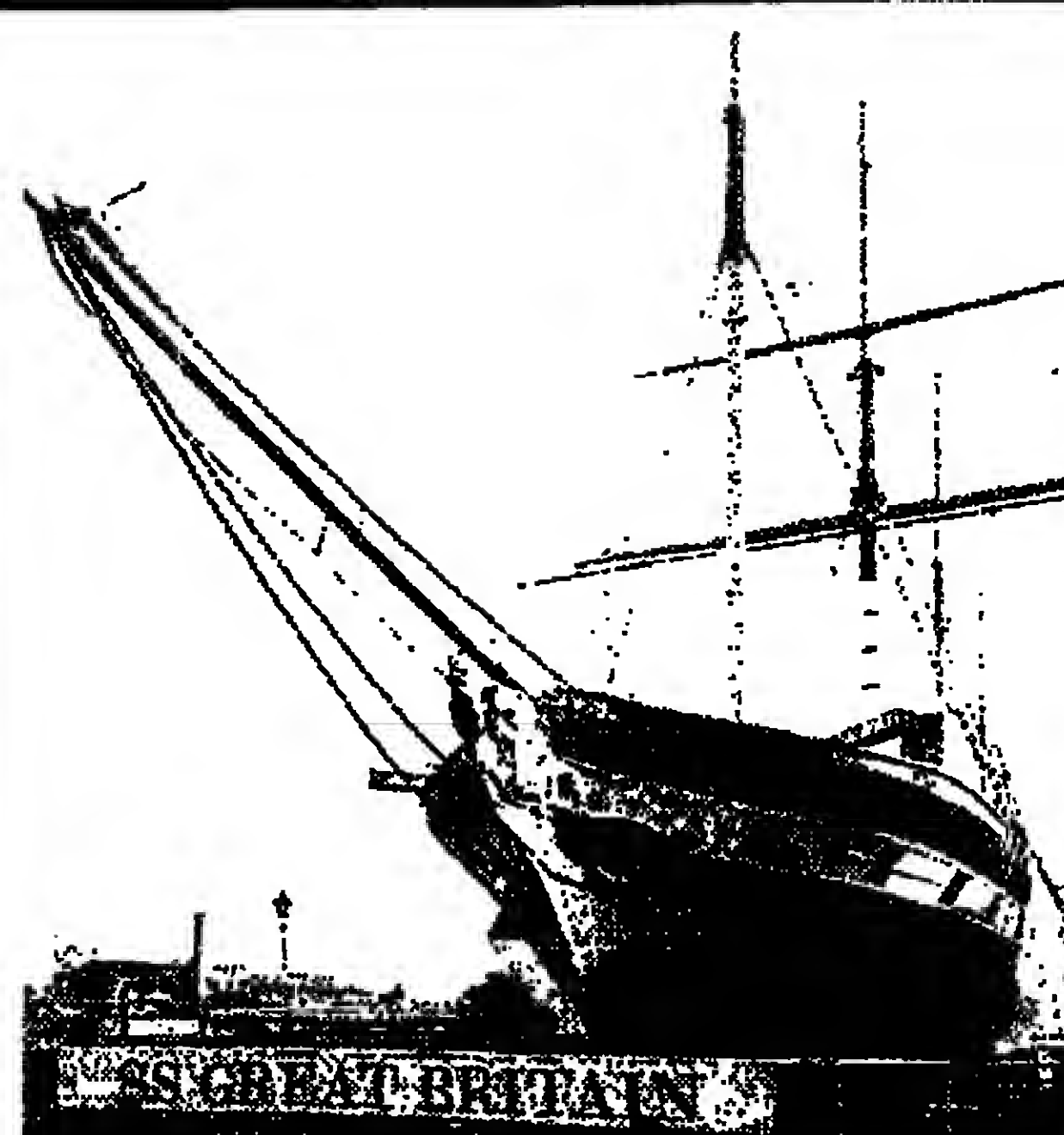
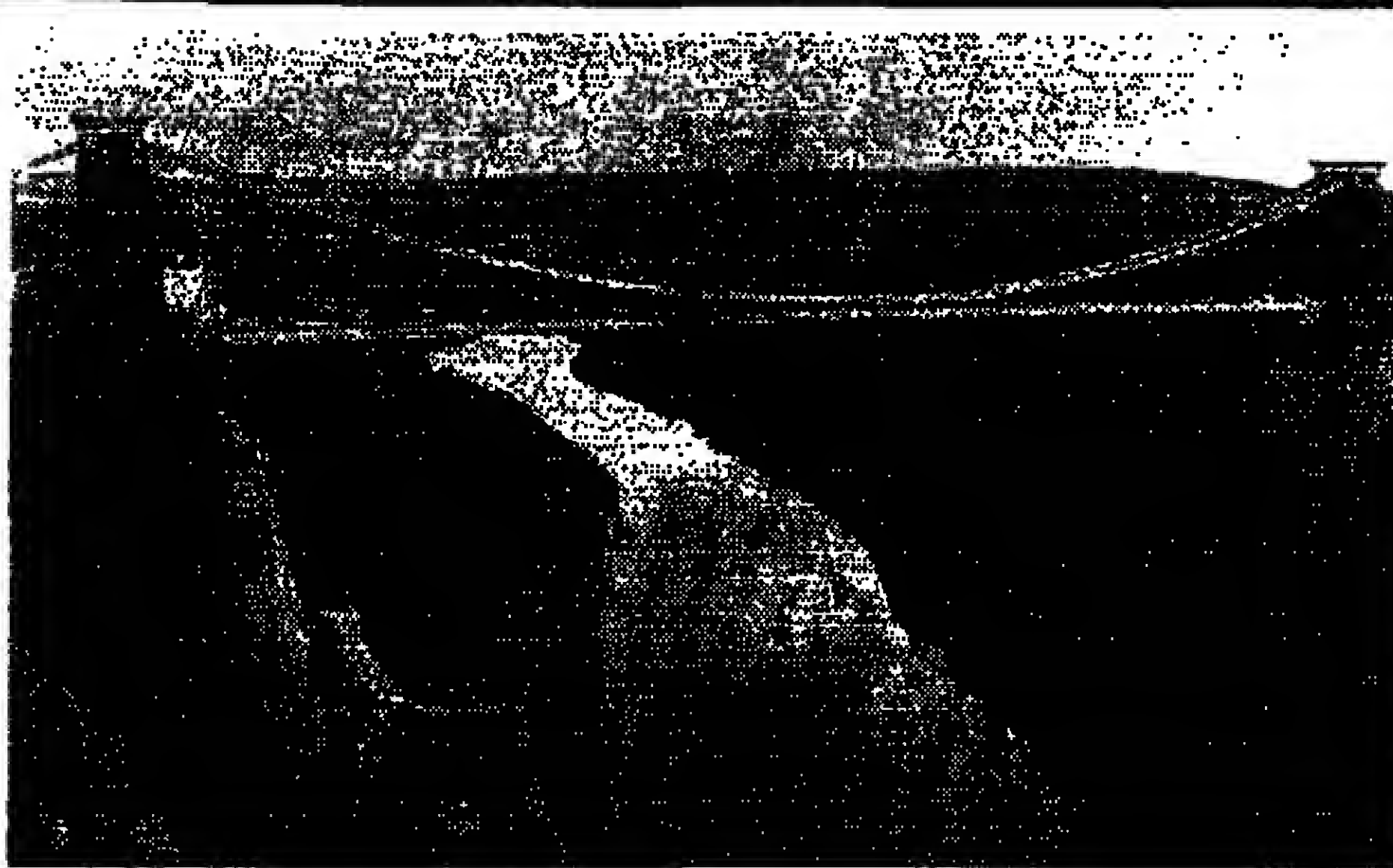
How Charles Laughton's
luxurious old hotel was rebuilt
from the ruins Page 3

FINANCIAL TIMES SURVEY

BRISTOL

Thursday November 28 1991

Why they want to bring back
the tram and the trolleybus
to central Bristol Page 4



SCENES in a flourishing city with a distinguished past: the Sun Life Assurance building; the Clifton Suspension Bridge over the Avon Gorge; and SS Great Britain, after being salvaged from the Falkland Islands, being restored in the dock where Brunel built it

IN THIS SURVEY

Finance: the institutions take stock. Defence: peace blow to jobs. Manufacturing: pain of recession Page 2
Tourism: new hotels are short of clients. Development: the spine road issue and other controversies Page 3
The Arts: theatres prosper but music homeless. Education: cash problems for university and poly. Transport: trams and trolleybuses may return Page 4
Property: the sites and the speculators. Politics: the businessmen's bogey. Bristol Airport: it's in the wrong place Page 5

FEW BRITISH cities have done as well as Bristol in recent months. Two weeks ago, the Ministry of Defence announced its intention to take over the whole of the 108-acre Bristol Business Park and relocate the procurement executive to the area, a move that will bring 5,500 jobs, 1,500 of them to be recruited locally.

Six weeks earlier, a new life company, National Westminster Life Assurance, was set up in conjunction with Clerical Medical, a step that will create 1,000 jobs. Lloyds Bank has transferred a head-office operation from London and is already employing some 800 in a purpose-built building facing the waterfront at Canons Marsh and intends to take the number of employees up to 1,400.

These are the sort of decisions many other places must envy. Yet behind this undoubted success there is a pervasive lack of confidence. It is as though Bristol cannot believe its good fortune and thinks that another bolt is about to drop out of the sky and destroy its good luck.

The trouble is that Bristol has taken the undoubted decline in its economic fortunes badly. Five years ago the place was described as Sunbelt City. The city had ridden the

1981 recession well. It had already begun the long move out of its traditional industries of tobacco, printing, engineering, confectionery and wine; and its two core industries, defence and financial services, were less affected by the downturn than most others. The finance industry was even hiring people. There was wild talk about Bristol becoming England's second financial centre after London.

Even five years ago the city felt it could move upwards for ever. That confidence has been rudely shattered by the present recession. The unemployment rise in the county of Avon has been the second largest in the UK over the past 12 months.

One observer has pointed out that "the economic make-up of Bristol had come to resemble closely that of the South East of England. And it is suffering the same trauma."

This recession has severely hit the financial and defence sectors. Defence, based around British Aerospace and Rolls-Royce, has been badly hit and the government's *Options for Change* programme has left the city wondering how much worse the situation will become. There have been redundancies in finance. If these two seemingly recession-proof industries can be so badly affected, what other bad

A cloudy outlook

An impressive number of leading public and private organisations have transferred their operations to Bristol. But the city's satisfaction at this trend is accompanied by a widespread anxiety that its run of luck may suddenly end, writes Anthony Moreton

news is coming, observers ask.

Bristol is, too, a city at odds with itself. There can be few places where the business community is so much in conflict with the local authorities. There is an almost total lack of confidence in the business community about the ability of elected members or officers to guide Bristol's economic and social development along desirable routes.

Businessmen accuse the strongly Labour city council of pursuing irrelevant policies and being antagonistic towards new, modern industries, especially those in finance and tourism. They despair that the city has cut its own economic development marketing budget to almost nothing.

The council responds that government policies have not

only made it much more difficult to overcome the problems facing inner cities but have actually left local authorities carrying the can for those problems. It argues that rate capping in general, restricting capital spending and the setting up of the urban development corporation, which it strongly opposed, will not bring back the sort of jobs the city needs. Bristol's political leaders point to the loss of manufacturing jobs (only 18 per cent of the workforce is now in this sector), the loss of jobs in inner-city areas such as Hartcliffe and the increase in part-time jobs, mostly for women.

They say the government has its priorities wrong and that new offices around Temple Meads, as proposed by Bristol Development Corporation, will further unbalance the economic and social fabric and do little to overcome the social problems that exist on some of the estates.

The development corporation hopes to have government permission for its Temple Meads scheme, which would provide up to 1m sq ft of office space and bring in a lot of private capital, by the end of this year. It also hopes to have the go-ahead for the £49m spine road linking the M32 motorway and the A4 road to Bath, which it sees as crucial towards unlocking the development potential of the inner city as well as providing traffic relief, early next year.

However, the worst may be over even if the recovery is some way off. In London, Mr

David Kern, chief economist at National Westminster Bank, says the recession is still having a serious impact on the south-west economy but Bristol should begin to experience "modest recovery" next year.

"Defence changes will inevitably affect employment prospects and many of the financial institutions which moved into Bristol during the 1980s have shed jobs in recent months, exacerbating the unemployment," he says. "Although the immediate outlook is not encouraging a gradual upturn during 1992 is likely."

Mr Alec Swens, president of the Bristol Chamber of Commerce, who notes a softening of the council's attitude towards business, agrees. "Business activity is continuing to contract, though the rate of contraction has slowed," he says. "In the next 12 months both manufacturing and service industries expect some recovery, however patchy."

The rise in unemployment has contributed to an increase in social problems, especially in the older parts of the city in suburbs such as Hartcliffe and Southmead. One Co-operative store in Southmead was forced to close last month because of attacks on the staff.

Confronted with these economic and social problems critics have attacked the council

for its presumed "anti-business culture". Mr Christopher Godfrey, of lawyers Burgess Salmon, says "there is too much complacency. Not enough is being done to boost Bristol. In Birmingham, there is civic pride. We don't have that." Another, anonymous businessman, adds: "Bristol is just not living up to expectations. The city is flat and has been overtaken by places like Birmingham and Leeds which are bursting with life."

Not everyone takes that view. Mr Chris Dunkerley, managing director of the investment bank Dartington, says that Bristol is buoyant and will overcome its problems. "Its position is superb, its workforce excellent and when the upturn comes Bristol is well placed to take full advantage of it."

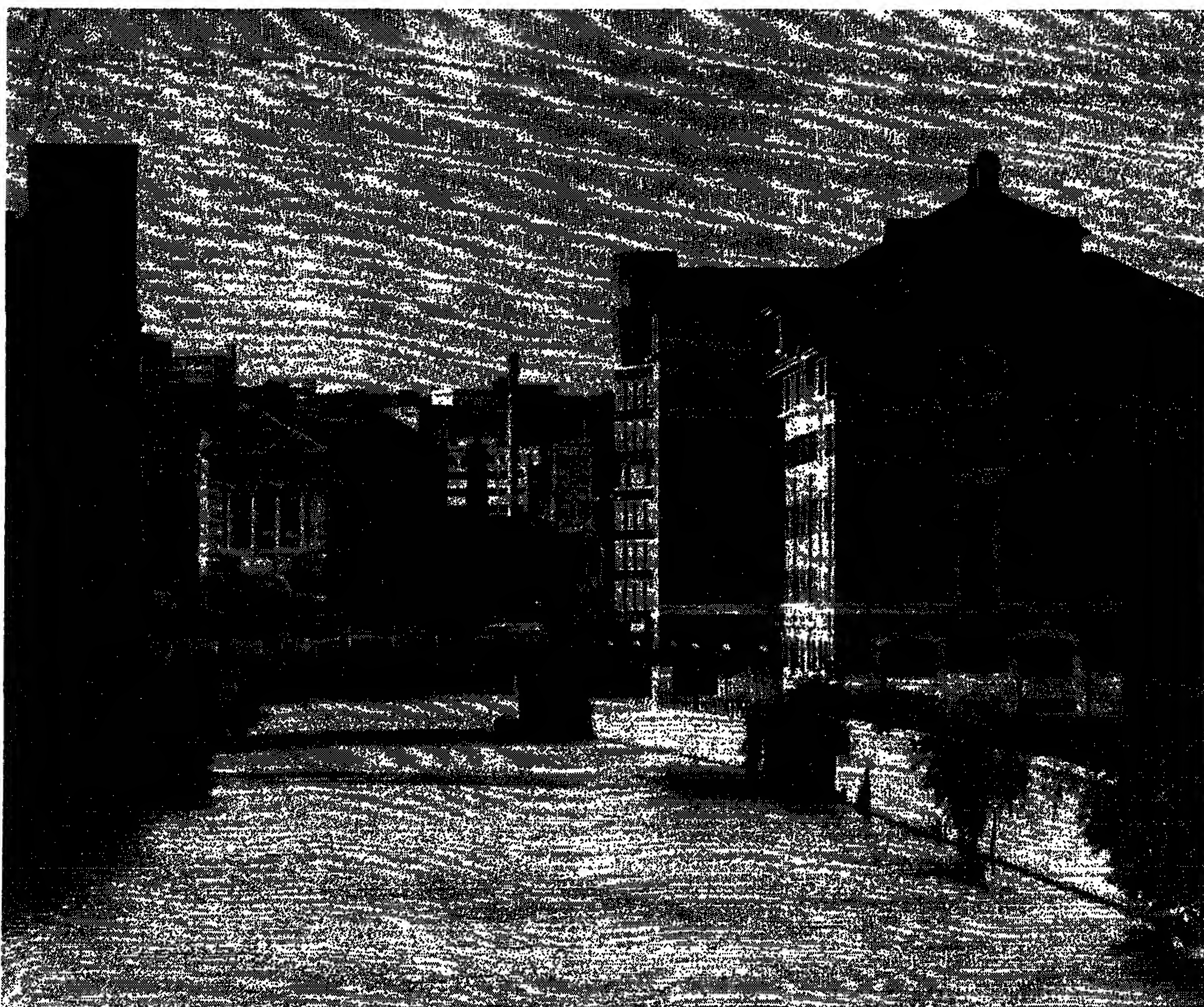
Mr Mike West, Bristol's economic development officer, agrees. "There has been a sudden upturn in inquiries from firms considering coming here, more in the last two months than in the previous two years. We were losing 2,000 jobs a month earlier this year and manufacturing had fallen to about 18 per cent of all employment. But we have already attracted firms like Brooktree Electronics and Eastwood and the future is more hopeful."

If that hope is to be transformed into reality Bristol needs a more radical approach, according to Mr Richard Lalonde, president of the Bristol Property Agents Association. One of those radical solutions is the spine road being pushed through by Bristol Development Corporation to link the M32 motorway entrance to the city with the Bath road exit.

Mr Bob Durie of J P Sturge's, the leading estate agent, believes that Bristol would benefit from the appointment of a city manager "to harness the energies of the many organisations dedicated towards improving the profile of Bristol". That manager would have to come from the private sector, he says.

Not a feasible solution, perhaps. More feasible is an idea that turns the clock back to progress. Five centuries ago, Cabot sailed in the *Matthew* from Bristol and discovered Newfoundland. In 1997, the year of the 500th anniversary, Mr St John Hartnell, of estate agents Hartnell, Taylor, Cook, wants Bristol to commemorate the event by building a replica of the *Matthew*, to attract the Tall Ships Race and hold a mini Expo. "That would really push Bristol into the next century," he says. That push is certainly wanted.

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BRISTOL 2

Anthony Moreton talks to the financiers who chose Bristol

No haven from recession

LLOYDS BANK'S new Bristol office at Canons Marsh gleams in the sunlight across the water from the Lifeboat Museum, all cream-and-white bricks and concrete. The building, which houses an operation transferred from London, already employs 800 and work is going ahead on an extension which should take the numbers eventually to around 1,400.

Lloyds' choice of Bristol rather than Cardiff, its near neighbour across the Severn estuary, or one of another 40 places around Britain the bank looked at, was a tremendous boost to the city's ambitions to become a leading financial centre in the UK.

Four or five years ago it was common talk in Bristol about how the city, with its international roots trailing back for over two centuries, aimed at becoming the second financial city in England after London. Its business leaders pointed to a healthy stockbroking community, one of the top 10 building societies, four major insurance companies with headquarters in the city, all the leading accountants and two or three top-grade firms of

lawyers. Some of the gloss has worn off that talk in the intervening years as the recession has taken its toll on the city - a toll as great as anywhere else in southern England. Bristol managed to escape the worst effects of the 1981 recession because the financial sector was still growing.

This time, the sector has suffered as much as it has in London and the South East and redundancies have occurred. There have been closures, amalgamations and lay-offs. The stock exchange has closed, market-making among the brokers has ended, some brokers have merged into out-of-town groups.

Mr Lewis Evans, managing director of Girobank, is sceptical in any case of Bristol's original claim to be England's second financial city. "Bristol is good for us on the corporate



Girobank's Lewis Evans: need for a sense of proportion

side," he says, "and we have good customers in the South West such as Inn Leisure, the managed-house division of brewers Devenish, and London and Manchester Assurance. The city is very much a growth area but it is still a long way

behind Leeds, Birmingham and Manchester, let alone Edinburgh, in the totality and weight of financial services it offers."

He is supported by Mr Tony Fitzsimons, managing director of the Bristol and West Building Society. "Bristol is certainly an important financial centre and a growing one in the long term. But it is not England's second financial city and I doubt if, deep down, it has the ambition to win that accolade."

"One of its problems is that the needs of the institutions have outstripped the ability of Bristol to supply them. Costs have been forced up and there is a real danger that potential incomers to the city will increasingly look elsewhere."

That view is not a popular one and it is, fairly, pointed out that the level of business sophistication is sufficiently

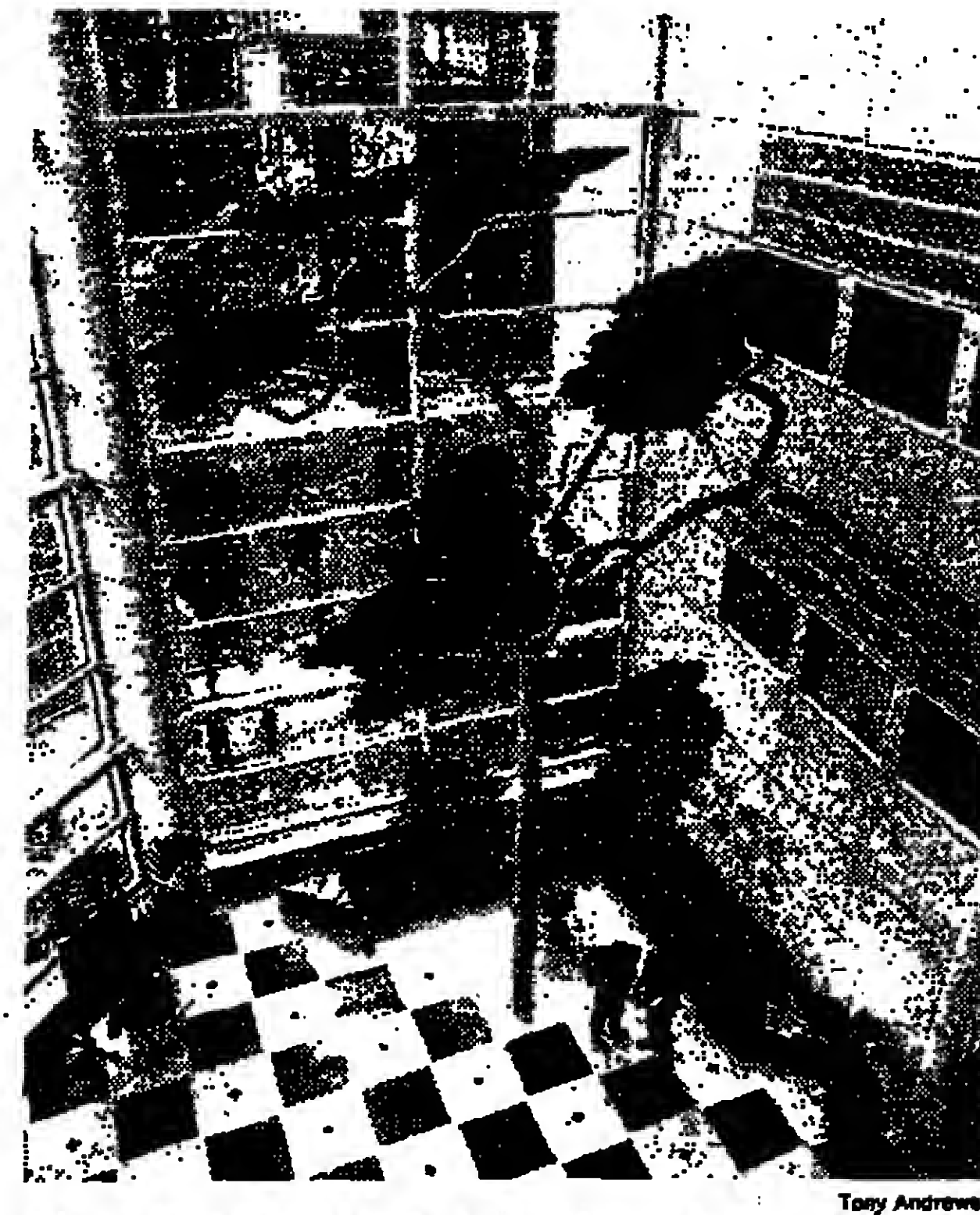
high for the city to be able to handle all but the most intricate of financial deals. National Westminster Bank, for one, does not share it. It is through its various arms, the largest single player in the financial sector with County NatWest Ventures, its venture-capital arm which opened last February, NatWest Insurance Services, NatWest Registrars, which has become lead receiving bank for British Telecom, and the recent move with Clerical Medical to set up National Westminster Life Assurance.

"Bristol is a highly important financial centre now," says Mr Neil Brockbank, regional director. "The great strength of the city is its ability to supply virtually all the services available in London with the same degree of professionalism but at considerably lower cost."

That confidence is repeated by Mr Christopher Godfrey, a partner in Burges Salmon, one of the leading firms of lawyers in the city. "The legal infrastructure is such that Bristol is in an excellent position to service companies," he says. "We would not presume to challenge the very largest London firms which are working for the likes of leading companies on the Stock Exchange such as Rolls-Royce or Grand Metropolitan but we can service the rest as well as the next firm."

"We are the only provincial firm with a significant unit trust business, which illustrates not only how a city like Bristol has developed but also how its participants have managed to capture niche businesses."

Because of its international background Bristol has also managed to develop its overseas connections. Lawrence



Efficient services: one of Bristol's new accountancy offices

Tuckett is part of the first European Economic Interest Group called EIG (the European Law Firm) which links firms in eight countries. Osborne Clarke has opened offices in Brussels, Copenhagen and Lyons; Bevan Ashford has joined a European network of legal firms called Advoc; Wansbroughs Willey Hargrave is to launch a network of legal and insurance expertise with offices in six European capitals; and Veale Washbrough has a loose association with law firms in the major European countries through its membership of a British legal group called The Association.

Within banking Mr Chris Dunkerley, managing director of Dartington, says it is the group's aim "to become the leading investment bank for the South West" though at

Singer Friedlander Mr Edmund Brugger, director in the city, admits that "while Bristol is a city full of business energy some of the changes which have taken place have reduced the city's ability to compete at the very top level."

He points out that there is now no wholly-owned native Bristol broking firm. "The broking sector remains important but rationalisation has seen firms like Laws merge into national groups such as Allied Provincial and Heseltine Moss into Brown Shipley."

Stock Beech, the last to maintain a market-making function, however small, is now part of Albert E Sharp, the Birmingham broker, following the collapse of British and Commonwealth, its parent. Sharp has transferred the market-making side to Birmingham.

ham. Singer and Friedlander remains a full-service merchant bank. "Our presence helps to bring investment into this part of the world," Mr Brugger says, but he admits that getting new business is "slow". Ever an optimist, he adds: "Our book has grown quite nicely over the last year and our future in the region is a healthy one."

The investment group is also optimistic about the future. The group's current investment in the South West rose by nearly 10 per cent last year to £10m, figures which Mr Graham Spooner, the local director, says "reflect the level of confidence local managers have in the long-term prospects for the economy. We certainly expect to see demand for growth capital increasing over the next few months."

What Bristol now has to ensure is that the growth which it has undoubtedly sustained over the past decade, growth which has seen it become an important part of the British financial-services sector, is not undermined by outside factors.

There are dangers that rising office rents and secretarial wage levels could force potential entrants to the city to look elsewhere.

Even more important, there are fears that these could force existing concerns in the city to move out. Western Provident has already taken this step, going to Taunton, and others have gone out-of-town, to Astex West or one of the other business parks.

There is also a danger that the local authorities do not sufficiently recognise the contribution a financial-services industry can bring to the economy. If more firms are to be enticed in more buildings are needed, including more in the city centre.

There is already a shortage of top-class office space and unless decisions are taken now about planning applications the flow of incomes will dry up in three, four or five years.

South-west is 'worst hit' by defence spending cuts

Two cheers for peace

AMONG ALL the issues concerning the future of Bristol none occupies as much attention as the consequences of the peace dividend.

Bristol is a large supplier to the defence industry: not just Rolls-Royce and British Aerospace, with their giant works at Filton, but a host of smaller concerns. The city has lost more than 5,000 jobs in the defence sector this year alone and is naturally concerned about future developments. How many more will go because of the easing of East-West tension? Will the prosperity of the city be irreparably damaged?

Some short-term relief was afforded by the Gulf War earlier this year and the need to repair holes that occurred in the fabric of defence as a result of that short conflagration.

However, the decline in defence spending, already evidenced in the government's discussion document *Options for Change*, is a fact of life. Its effect is exacerbated by changes in buying patterns for commercial aircraft.

The future in the defence sector is therefore not bright. But how bad is it? To seek the answer the city of Bristol and the seven counties in the South West commissioned the research unit in defence economics at Bristol Polytechnic to study the whole matter. Earlier this year, four academics, Dr Derek Braden, Mr Adrian Kendry, Mr Paul Dowdall and Mr Peter Cullen, produced a paper offering some answers.

Entitled "The Impact of Reduced Military Expenditure on the Economy of South West England", it estimated that defence spending in the region amounted to £3.38bn a year, some 18.8 per cent of total defence spending in the UK.

The team did not isolate the role and position of Bristol but as the city is undoubtedly the major single contributor to the defence industry within the region it would bear the brunt of the economic consequences. This is not to devalue the economic contribution of Plymouth, Gloucester, Cheltenham, Yeovil, Devizes, Houlton, Newquay and other places. It

merely puts it in perspective. The team found that 155,000 jobs across the region "depend directly and indirectly on defence expenditure". Furthermore: "The South West is the most defence-dependent region in the UK with spending per capita for 1990 at £720 considerably more than twice the national average."

With the foundations for a new European defence industrial base being put in place the authors state this will have considerable implications for a defence-dependent region such as the South West.

The academic team forecasts that by the year 2000 at least 40,000 of the area's defence-dependent jobs will be lost. To this must be added another 12,000 non-defence jobs as a consequence of reduced spending patterns.

Some relief could come from increased exports but "there is growing evidence that these 'escape routes' are losing their efficacy as they become increasingly congested".

The figure of 52,000 losses is therefore a low estimate.

"Companies with even moderate defence exposure face overall closure as defence cutbacks take them below the 'critical mass level of operation', the academics declare.

They conclude that defence spending in the 1980s "contributed to prosperity and employment, insulating the region from the worst effects of economic recession. Without effective policy response, defence cuts in the 1990s will fracture this insulation, exposing the South West economy to the shock of rapid and uncoordinated economic change."

The authors concede that while this is a pessimistic forecast the changes offer "an unprecedented opportunity" to lay the foundations for regional economic prosperity for the next century. "A positive and facilitating approach to change can propel the South West forward into new markets, diminishing growing concern that the region may otherwise slip into the economic backwaters of a new Europe."

Anthony Moreton

After the expanding 1980s, it's the shrinking 1990s

Industry in a cold climate

IN THE 1980s, Bristol emerged as one of Britain's most successful cities.

New industries in services and electronics moved in and created jobs to replace those lost in the traditional sectors of tobacco, paper and board and of their operations. Hewlett Packard added to the technological base represented by British Aerospace and Rolls Royce.

Around 20,000 jobs have been lost in tobacco and paper since the late 1970s, equivalent to 5 per cent of the workforce of around 380,000 in the Bristol travel-to-work-area. Tobacco, paper, packaging, printing, food and drink still account for 25 per cent of the manufacturing workforce, but as a percentage of the total workforce, manufacturing has shrunk to 18 per cent, well below the national average of 24 per cent.

Wells industrial areas and former railway towns such as Peterborough and Swindon fought to attract footloose companies from the overcrowded south-east of England with offers of financial incentives or cheap land and labour.

Bristol, however, seemed able to attract companies by virtue only of its good location and quality of life. Unemployment remained low through the 1980s. Indeed, by 1988 white collar companies started to report severe skill shortages. Some businessmen thought Bristol was suffering from congestion and soaring office rents, usually associated with London.

Today Bristol is as badly hit by the recession as other parts of the south-east. Unemployment is put at 8.6 per cent compared with the national average of 8.1 per cent and 7.9 per cent for the south-west.

Mr Mike West, senior economic development officer at city hall, says: "This is the first time that I can remember that unemployment has been higher than the average for the south-west region."

This is partly because this recession, unlike the one of the early 1980s, has hit service companies particularly hard, and the construction industry has been badly affected by the economic slowdown. "Two years ago," says Mr West, "I counted 28 cranes on building sites around the city site. Now you would be hard put to find one major construction project."

Bristol's woes are also due to cuts in defence, the main manufacturing industry which held up well in the 1980s. Defence and aerospace are important industries for Bristol. British Aerospace and Rolls Royce both have a considerable presence, between them employing 15,000 people. If a broad spectrum of sub-contract companies and their employees are included then this sector employs 35,000 people in Bristol.

Rolls Royce makes the Pegasus engine for Harrier jump jets. It also makes the RB199 engine in conjunction with Italy and Germany, which powers the Tornados, and the

Adour for the Jaguar and Hawk trainers and the Eurojet EJ 200 made in consortium with Germany Italy and Spain.

Mr John Hutchinson, a senior spokesman for Rolls Royce, says: "There is no disguising the fact that times are very tough for all of us. The Tornado ceases manufacture next year. We have hopes for the Eurojet keeping us busy."

Mr Hutchinson expects that the numbers employed by Rolls Royce at Filton just outside Bristol will fall to around 6,500 from a current 7,000. "In the longer term the prospects are better," he adds. "We are not going to disappear. We intend to stay around in the defence business."

British Aerospace employs around 8,000 people in various divisions. The civil division is the main employer with about 5,000 people and makes part of the Airbus.

There is also the dynamics division involved in guided missiles, a space division a research division and various other parts involved in military aircraft.

British Aerospace declines to forecast the manpower level in five years. But there will be cuts in the servicing of military aircraft. Work will run out on servicing and modifying F111 fighters as the US air-

force cuts its numbers in Europe. According to Mike West, the answer to declining jobs in defence sectors is to encourage new high technology companies to come into Bristol.

"The people employed in the defence sector are highly skilled, highly trained workers. They are not going to fix the kind of jobs they want with insurance companies."

Mr Alec Ewens, the president of the local chamber of commerce agrees with Mr West: "We have been very glad to have National Westminster and Lloyds. But the jobs we need in the 1990s are in the high technology field."

Bristol did have its success in attracting arms high technology companies in the 1980s. Hewlett Packard and D Point Electronics both established operations in Bristol.

But the new arrivals in manufacturing did not match the scale of white collar service companies relocating to Bristol. "Bristol needs to attract promotional activities more towards high technology companies," Mr West says. "The city has land available. With recession it is now back at a competitive price. It certainly will have the labour."

Stewart Dalb

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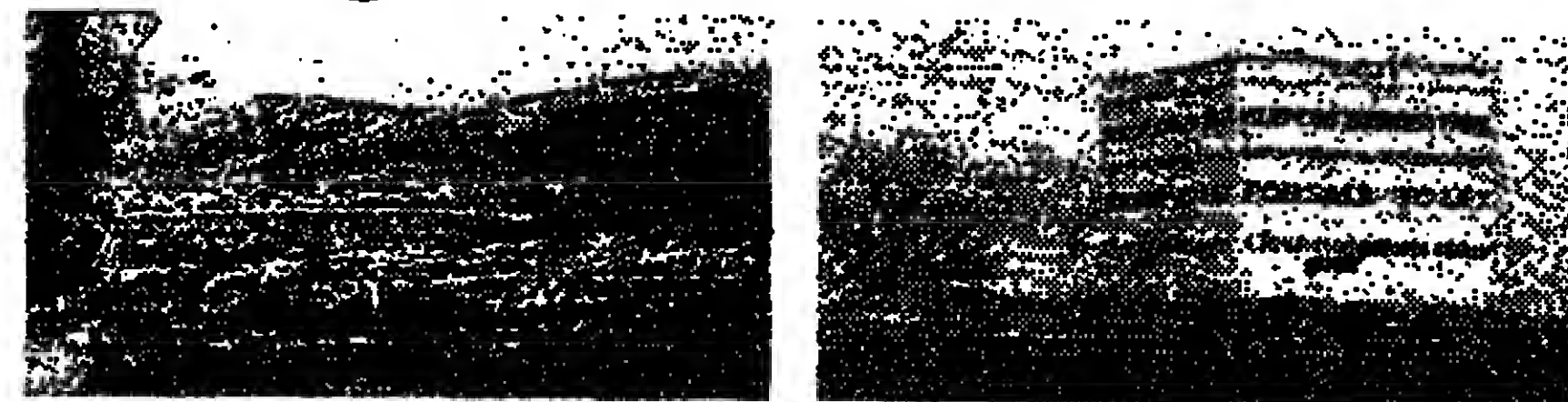
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BRISTOL 3

Hotels spring up but tourism still lags, writes Anthony Moreton

Untapped visitor appeal

TWO MONTHS ago the Swallow group reopened the Royal Hotel and added a jewel to the city's hotels. The Royal occupies an outstanding position, next to the cathedral, in a conservation area, opposite the Council House and looking up Park Street across College Green.

The Royal had once been the centre of Bristol life. In the 1950s, its patrons included film stars such as Charles Laughton, Peter Sellers and one-time Bristol boy Cary Grant. Margot Fonteyn was another visitor. Before the second world war it had vied with the Grand as the centre of cafe society.

Five years ago, the glamour and the glitter had gone. The building, long since closed, was a wreck, with the windows boarded, the stucco peeling and the rain finding holes that no one knew existed.

A decade earlier, developers sought to turn the building into offices but the council, mindful of the situation and the city's need for more hotels, turned them down. Then, in 1987, Swallow entered the scene, submitted plans, brought in the Royal Fine Arts Commission and spent £40m on the 243-bedroom building.

It was unfortunate that Swallow should have completed its restoration and opened the hotel just as the trade was hit by its worst recession for years. "Like other cities Bristol has felt the effects of the recession badly," says Mr Robert Glasman, president of the Bristol Hotels Association. "Two or three years ago it was difficult, if not impossible, to get a room in a city-centre hotel in midweek. That is no longer true."

There are now too many bedrooms for the level of demand, partly because more hotels have appeared on the scene. Mr Glasman is also general manager of the Bristol Moat House, which opened last year.

Others to open their doors since the peak years have been the Stakis Leisure Lodge and Shire Inns Aztec Hotel. These two are on the Artec West business park and technically edge-of-town rather than city centre but as their clientele is essentially the same businessman market they, and the Crest at Tilton, are in direct competition with in-town



Grand Hotel, one of city centre's few medium-sized conference venues

hotels such as the Hilton, Grand, Unicorn, Holiday Inn and Avon Gorge.

The extent of the recession can be seen, Mr Glasman says, from the figures. "There are probably 1,500 bedrooms available in the city in the leading hotels and demand is running at about 900 to 1,000 in midweek." Even that is thought to be an optimistic figure by some outside observers. Prices are

The competitor is Bath with its Roman origins and Georgian facades

being heavily discounted, a sure sign of weak demand, and on weekends many hotels have few overnight visitors.

Neither the fall in demand nor the inability to create a weekend clientele is unique to Bristol. Most British city hotels are having a hard time but Bristol's problem has been compounded by its inability to attract tourists and the lack of good conference facilities which might have helped fill the gap.

Despite its attractive posi-

tion Bristol is rarely seen as a tourist centre. This is partly because it is near Bath, whose Roman origins and Georgian facades have helped turn it into one of the great visitor centres in Britain. It is also due partly to the unwillingness of the council to see tourism as a meaningful occupation, an attitude which has led to the closure of the marketing bureau.

From a business angle the lack of conference facilities is more serious. Mr Glasman looks with envy to Plymouth, which in September opened the £25m Pavilions, a building that can hold 2,500 and compete with facilities offered at Harrogate, Bournemouth, Blackpool and Scarborough.

In Bristol, there is nothing to compete with the Pavilions; indeed, there is no modern, large building that can stage major conferences. Plans exist for one in Canons Marsh, but they have lain on the table for the past three years and have hardly progressed.

Within the hotels the Holiday Inn can handle 500-strong conferences and the Grand 400. The rest are restricted to rela-

tively small numbers. "It is a shame," Mr Glasman says. "Bristol has so much to offer. It could handle conferences and the tourist trade so well. The trouble is that people here do not think big. So things go by default. It is not just conferences, either. There is no real exhibition centre, nowhere we could put on a big event."

The spine road is the backbone of the BDC's regeneration strategy," he said. "It will open up areas of dereliction and under-used land, and improve access." It will also relieve traffic congestion in the city centre.

The plan is for a ¼-mile dual carriageway, from the M32 (which is linked to the M4 and national motorway network) in the north to the A4 in the south. This would by-pass the centre. "Access really is the key," said Peter Butt, marketing director of the BDC. "We need to be able to get people in and out."

The corporation has predicted all development on the construction of the spine road. Asked whether some piecemeal development was possible without the road, Mr Butt replied: "not on the scale, or in the way, that the area needs." Without proper access, the area would not attract the large amounts of private investment that were possible or be developed as fully as it could.

Urban projects rouse local passions, writes Stewart Dalby

A need for time and money

BRISTOL Development Corporation, like its counterparts in Cardiff and the Black Country, has discovered that regeneration of a rundown area can take longer than expected if the infrastructure has to be strengthened.

The BDC was set up by the government in 1989 to revive an area of 900 acres around Temple Meads, the city-centre railway station. It was to have had a life of five years and was allocated £15m.

But Christopher Thomas, chairman, and Miles Collinge, chief executive, quickly realised that neither the time nor the money would be sufficient to regenerate the area on the scale they had in mind. They were convinced that a spine road would have to be built.

The development area also includes St Anne's and St Philip's, two old industrial areas that are partly derelict and run down. Few people live in these areas, but 14,000 people work there.

Although the development area is close to the city centre and criss-crossed by roads, railways and waterways, access from outside is poor. Mr Collinge considers the spine road "crucial".

"The spine road is the backbone of the BDC's regeneration strategy," he said. "It will open up areas of dereliction and under-used land, and improve access." It will also relieve traffic congestion in the city centre.

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He added: "I worked for



Japanese-style buildings at Bristol business park: access is the real key

some years in London's Docklands. We are all conscious here that Docklands did things the wrong way round. They put up the buildings, the offices and homes.

"Now they are having to spend a fortune improving the infrastructure so that people can reach them. We do not want to get in a similar position here."

Delay to the spine road has meant that there has been little movement on the Temple Meads development or on the two other projects, the Avon Weir, down-river from the development area, and a scheme to build 700 houses and create a village at St Anne's in the east of the area.

Temple Meads is the BDC's flagship project. The first phase, on 30 acres, will include 1.5m sq ft of floorspace, with 1m sq ft of offices, the remainder being public open space, shops, waterside restaurants, visitor attractions, cultural facilities and a hotel.

Phase two will see development of a further 60 acres, and involve the selective redevelopment and refurbishment of a number of sites and premises around key retained buildings within the Kingsley village area.

This is expected to require £500m of private-sector investment and to create 8,500 jobs.

The project will become the new gateway to Bristol, because it will include Grade 1 Listed Temple Meads

station, designed by Brunel. It will be adjacent to the floating market area in the city centre.

The Avon Weir scheme is a plan to create a weir across the River Avon at Gao Ferry Bridge, downstream from the urban development area, and will cover existing tidal mudflats with fresh water in parts of the BDC's area.

The Avon Valley project involves building 700 houses on waterfront land on the old St Anne's Board Mills site. Before this factory was pulled down it made cigarette packaging, and in the mid-1980s employed 1,800 people.

Two years into the projected five-year life of the corporation, a start has not been made on any of these projects or on the spine road. The problem has not been entirely lack of funds. Mr Thomas quickly convinced the government that the original £15m was insufficient, and a new budget of £85m has been agreed, and the life of the corporation has been extended by a year until 1995.

The spine road itself is expected to cost £49m, but the corporation has only to find a part of this. The Ministry of Transport will make a contribution, and about £20m is expected to come from the private sector.

The attraction for the private sector is that the spine road could enhance land values. Hanson, for example, owns 40 acres within the BDC's

area, but with poor access. The spine road would improve the value of the land, and the group, among others, might be interested in helping to finance it.

Delays have been caused by protracted public inquiries into both the spine road and the Temple Meads project.

Although, theoretically, the BDC has planning permission for the area, if compulsory purchase orders (CPOs) are involved a public inquiry can be called into previously agreed planning consents.

The Labour-controlled city council, which has resented the development body since its inception, has initiated complaints against some CPOs being lodged.

It believes that some of the relocations involved would drive what remains of blue-collar industry out of an area close to the city centre.

However, the public inquiries have been completed, and decisions are awaited from the secretary of state for the environment.

The BDC expects both projects to receive the green light - Temple Meads by the end of the year, the spine road by February.

It believes that when regeneration is complete, about £1bn will have been invested by the private sector. This would mean a ratio of 12:1 private to public-sector investment - higher than any other development corporation has achieved.

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BRISTOL 4

THE ARTS

Comedy of errors

THIS EVENING the Theatre Royal is presenting David Hare's play *The Secret Rapture*. Next door, the New Vic is previewing *Slough* for a first night next week. Last night Tommy Steele began a two week run in the Hippodrome in *Some Like It Hot*, the old Marilyn Monroe favourite. Just another week in Bristol's vibrant theatre life.

It is part of a rich and varied artistic life. Theatre happens to be the strongest element in that artistic life yet despite the fact that art, music and drama have contributed deeply to the ambience of the city Bristol is not nearly so well endowed with facilities as many other places around Britain.

It has no orchestra to compete with Manchester's Halle, no gallery to match Liverpool's Walker or Glasgow's Burrell, no opera to equal that in Leeds. It imports the Welsh National Opera Company for seasons and if it wants top-rank music it needs a concert hall. The city looks enviously at Birmingham's new concert hall and hopes that developments at Canons Marsh will eventually produce something to attract the best. It is a long-term hope.

The failure earlier this month by the Trinity College of Music to move to the city from London seems symbolic of Bristol's inability to break through. The failure could not be laid at Bristol's door: the School simply could not raise the money to move and it became just another lost opportunity.

The Bournemouth Symphony Orchestra once wanted to move its home to Bristol, but nothing came of the suggestion. Bristol itself was unwilling to put up money to add to private sources. Critics claim the move really came to nothing because of a lack of interest.

Perhaps the lack of a hall was a more serious drawback. The Colston Hall has given

magnificent service as a venue but despite its excellent acoustics it can no longer provide the standards top-class artists and companies demand. It is simply not a concert hall for the 1990s.

Nearly three years ago LDR International, the Cardiff-based international planning and architectural firm, produced a plan for Canons Marsh, the dockland site between the cathedral and the Floating Harbour, home of the SS Great Britain, which included a 2,500-seat concert hall in the development as well as museums, art galleries and theatres. The city itself, together with a number of companies such as British Gas and Lloyds Bank, backed the project which has still to move more than an inch forward though there are reports that the scheme is about to be kick-started back into life.

The emphasis on drama and the spoken word which is still maintained at the BBC, whose Bristol operation is to become the British centre for documentary features and natural history, stems from the venerability of the Theatre Royal. The theatre has the oldest auditorium in Britain, having been established 200 years ago and its Bristol Old Vic has an enviable and well-merited place in the history of UK theatre. The ghost of Sarah Siddons is said to haunt the building. Its position at the heart of local and national theatre life was consolidated in the 1970s with the setting up of the New Vic as a home for touring companies.

The problem with the Theatre Royal is that it needs money spent on the fabric. The auditorium can hold 680 (compared with 2,000 at the Hippodrome) but its sight-lines are poor, critics say. Recent funding problems have been eased following support from local councils and the arrival of a new director, Andy Hay, from the Octagon in Bolton, holds out hope of a better future.

The problems of the theatre are just one of the issues being looked at by consultants reviewing the whole field of the performing arts. Bristol itself, South West Arts and The Bristol Initiative have funded a look at what exists and what strategy ought to be adopted for the arts. No one is saying much about the state of the report but it is hoped it will point the way forward and that the council will take the positive steps needed to put the arts on a proper footing.

In the visual arts Bristol glories in the Arncliffe even if it does not have a great civic museum. The Arncliffe, admirably sited on the water's edge, occupies an 1830s tea warehouse and has a high profile, being part of a loose provincial

network of galleries in Manchester, Oxford and Edinburgh.

This weekend the gallery begins a season called the Circular Dance, an exhibition demonstrating the strength of work among Asian women artists working in Britain today and including works by Subapriya, Nina Edge, Jagti Chaudhary and Gurinder Sikand.

This will be followed in the middle of January by the first one-woman show of work by Annette Messager.

Across the dock from Arncliffe is Watershed, a media centre with strength in film. Watershed was opened in 1982 claiming to be the first in Britain dedicated to the technological arts - cinema, photography, print, broadcasting and, more recently, video.

Like almost all the others Watershed is feeling the economic pinch. Its director, Dick Penny, hoped to have raised about £45,000 this year in sponsorship from industry. "We are little more than half-way towards our target," he ruefully admits.

Anthony Moreton

MANY UNIVERSITIES and polytechnics are being encouraged to manage themselves in a more businesslike way and to develop closer links with industry.

Bristol University has had some success on both fronts. Its long association with the local business community is symbolised by the Wills Memorial Tower which rises from a hill above the city centre. It was built by H.O. Wills using money from his family's tobacco empire.

The university has taken the lead in the debate about funding higher education. Under the so-called Bristol option developed by the vice-chancellor, Sir John Kingman, the universities would have tighter control over how many students or "customers" they take in and more say in how they are funded. Individual universities would have more discretion over setting fees.

Each university would be allocated a number of state scholarships. Additional students would be supported in a number of ways including bursaries and grants.

Some 550m of the turnover of the state scholarship fund has come from the Universities Funding Council.

In the Queen's speech last month the Bill to reform higher education envisaged the replacement of the existing funding councils for the universities and the polytechnics

HIGHER EDUCATION

Colleges told: pay your way

by Higher Education Funding Councils for England and Wales.

The polytechnics would gain the right to call themselves universities.

Bristol University, for its part, would hope to increase the proportion of alternative forms of funding, particularly from industry. In some departments, there are 30 applicants for every undergraduate place, so there is scope to close funding gaps.

To do this it knows it must be more conscious of what kind of students it turns out, and try to tune its research more closely to what industry wants.

Bristol University is one of the smallest universities that aspire to embrace most disciplines. It has six faculties and a school of education. These include law, medicine (including dentistry), veterinary science, engineering and applied sciences, pure science and the arts and the humanities. It does not have a business

school, although the polytechnic does. There is an MBA course, however, and there are links with French business schools.

Five departments are considered to be world class by the universities funding council.

The university has 9,000 students including 1,500 post-graduates and the hope is to raise the number to 11,000 in the foreseeable future. The University made a profit of £200,000 on a turnover of £100m last year.

"This may not sound much, but bigger universities than ours are showing substantial deficits," says Mr Don Carleton, the information officer.

About 550m of the turnover came from the university funding council and was mainly for teaching, with some 28 per cent going to research. The rest came from student fees.

Much of the research money was from the research arm of the funding council and was earmarked for pure research. But the university is also winning contracts for research linked to specific projects.

Mr Adrian Hill, the head of the university's industrial liaison office, keeps an eye on the university's intellectual property rights and exploitable research results and seeks to coordinate post-graduate activities related to industry and commerce.

He also tries to identify research possibilities within the EC for academics.

Nowadays his efforts are targeted less towards erstwhile benefactors such as the tobacco industry than to high technology concerns. "We would look to do business in many areas," says Mr Hill. "It could be the development of a high technology microscope for electron microscopes or the use of laser technology in environmental toxicology in the Mediterranean. We have a Centre for Mediterranean Studies here."

Stewart Dal

TRANSPORT

The talk is of trams

ON TUESDAY a Private Bill was introduced into parliament to sanction the first stage of a light-railway system through the centre of the city.

Light railways, a modern version of the tram, are in vogue and Bristol is following a route already taken in Britain by Manchester, Sheffield and other cities.

Bristol could indeed have not one but two futuristic light-railway transport systems. Plans have been announced for a guided light transit network, a mode of transport not yet in operation anywhere else.

Cynics might, however, say they have been here before. The light railway, brainchild of Advanced Transport for Avon (ATA), has already been through the parliamentary Bill system and, at one time, hoped to have the first trams running before the end of 1992.

Mr Brian Carter, managing director of ATA, is now so cautious about when the trams might appear that he will not even discuss a date.

Meanwhile, at City Line, a subsidiary of Advanced Transport for Avon, a subsidiary of Bristol's buses, the top men are holding their breath about guided buses, a form of transport that promises to move in the next century. The guided light transit (GLT) vehicle is a form of two- or three-set trolleybus, quite common on the continent.

The difference is that the GLT bus will be powered by overhead electricity cables and be guided by a single rail in the road or, where this is impracticable, will convert to a manually-driven diesel vehicle.

The only problem with GLT is its lack of operational experience. The system is the brainchild of a Belgian company, BN (offshoot of a Canadian company) that has been tested for three summer seasons at the Belgian resort of Jemmelde. "GLT is a leap into the future", admits Mr Philip Snowden, group executive at Badgerline.

"But we believe it is one that will play an important role in solving the environmental and traffic problems of our cities."

If Bristol gets the GLT it will not be the guinea-pig city, though. Lyons in France has placed a big order for the vehicles and expects to have them up and running soon.

Mr Snowden is rather more circumspect about timing. He sees them on Bristol's roads - one was on show in the city in the middle of September - by 1996. But that depends on co-operation from the local authority and some funding. If assistance from the government. The two systems are not necessarily conflicting.



What Manchester does today, Bristol may do later

approaches to traffic management, though they could dilute the ability of the city to raise the necessary finance.

Government, for one, will not appreciate being approached by two bodies seeking to dip their fingers into the Section 56 aid available from the Department of Transport.

However, those close to ATA claim that an almost bottomless pool of Middle Eastern money is already becoming available, which would overcome all problems and allow it to push ahead. Mr Carter will not be drawn but unless something is found quickly the light railway system could perish.

He admits that the uncertainty of the government to commit itself on funding is "a problem". The Treasury "wants private sector involvement," he says, "but the private sector cannot undertake such projects on its own. People we approach are asking what sort of grant will be available to back their money and the department of transport will give no assurances."

Manchester, however, has already received assistance for its Metrolink tram system and is running the vehicle on trials through the city. The Sheffield Supertram is not quite so far advanced but confidently expects to be carrying passengers by 1993. ATA will be lucky to have got the go-ahead, via the Private Bill, by then.

Sponsoring a Bill through parliament is a tortuous and expensive business, as ATA knows to its cost. It progressed a long way with an earlier Bill only to run up against opposition from the Lords which rejected it after submissions by Bristol council. The council wanted a fresh look at the routes chosen and the Lords agreed.

Mr Carter feels the original route remains the best choice but the city's view will not be known until some funding. If Badgerline gets to the starting line first it will be an irony in that the bus company was one

of the original backers of ATA and still retains a 10 per cent holding in the company. At one point it had two directors on the ATA board but they resigned a year ago, restricting the company's involvement to the capital holding.

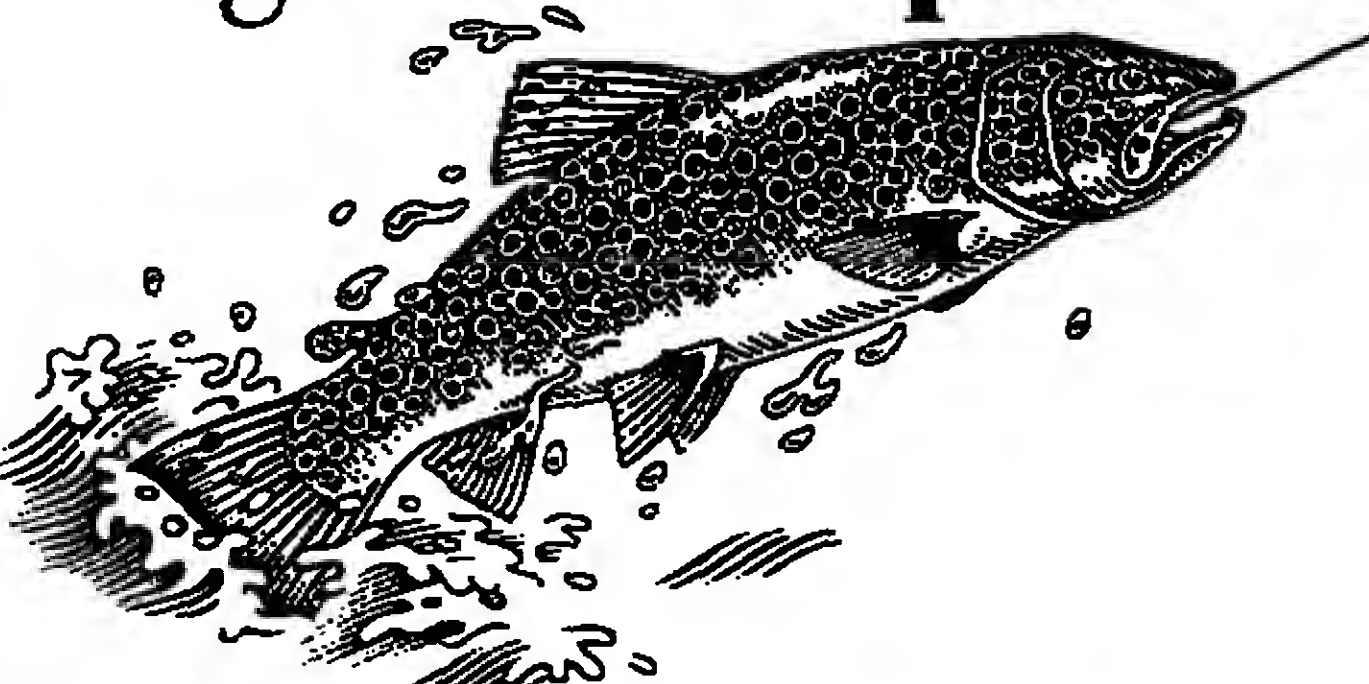
However, the GLT system would be "complementary" to the light railway, Mr Snowden says. "Our initial route is a different one, going where the light railway could not go. 'Somehow, a new approach has to be found to traffic congestion and environmental issues,' he says. "Guided light transit is that new approach because it takes the bus up-market. Buses have something of an old-fashioned image and if we are to attract more people away from the car we need a modern, comfortable form of transport."

A GLT vehicle would, in effect, be two, or three, single-decker trolleys joined together. A two-set vehicle could carry 175 passengers, a three-set perhaps 100 more. Its great potential is the ability to switch from the single-track guidance line to diesel-powered driver operations. This flexibility allows not just areas without the track to be served but obstructions in city-centre streets to be bypassed. If the vehicle running on electric power on the track comes up against an obstruction the driver would switch to diesel power and drive the bus around the obstacle.

In Bristol, Mr Snowden says, "an important advantage is that the route chosen does not involve any property demolition or acquisition of land. And because there are no separate rights of way, such as old railway lines, GLT makes use of the public roads for its entire length."

Anthony Moreton

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PROPERTY

New sites for sore eyes

BRISTOL PARKWAY must be one of British Rail's most tatty stations. Yet this eyesore, already heavily used as an important link, is going to be the first sight many more people have of an expanding part of the city.

The decision a fortnight ago by the Ministry of Defence to relocate part of its defence procurement activities to the Bristol Business Park means 5,500 people will be employed within sight of the station.

More will no doubt turn up for the Bristol Parkway business park, even closer to the station, that Sun Life has acquired and to which the insurance giant will switch people from London as well as from the centre of Bristol.

The station is hardly the best introduction to two sites that are evidence of a renewal of activity within the property market. Apart from the two new sites, approval has just been given for a £100m out-of-town shopping centre on a 65-acre site at Cribbs Causeway, alongside the M5 motorway, and there are plans for a science park at Emerson's Green, also near the Parkway station.

These are all out-of-town sites and there are some, like Mr Tim Stevenson, director of Chesterton, who are concerned at the effect they will have on the centre of the city. "Cribbs Causeway," he says, "is a creature of the 1980s when the spending boom fuelled an unprecedented growth in shopping centres. Today's economic climate must cast serious doubts on the viability of the scheme. I cannot see even a major institution such as the

Prudential (which is involved in the scheme) embarking on this at a time when retailers are reluctant to take on new commitments."

The trend now, he says, is for large stores with retail warehousing and he believes a better approach for the site would have been the development of distribution warehousing, for which there is a shortage in Bristol.

The effects of out-of-town developments on inner-city shopping can be seen at the £150m Galleries redevelopment in Broadmead, originally a joint scheme between Ladbrokes and Norwich Union now largely controlled by the latter. Lettings have been slow and one agent has described the occupants, with some understatement, as "not brilliant".

Mr Jason Schofield, retail specialist at J P Sturge, admits that "the last three months have been tough. Compared with the boom time the retail sector is still in the doldrums."

But he says that foodstores are holding up the market and "gaps in the city's major shopping streets are being filled as more sensible rents are quoted".

In other words, prices have dropped, sometimes dramatically, and not just in the retail sector. In the office sector Mr Michael Pinnacane, also of Sturge, reports that land for top-level office developments has "plunged" from almost

£1m an acre in 1989 to sterling £75,000 now. Not surprisingly, there have been "relatively few large lettings".

Not that the picture is entirely bleak. National Westminster has joined forces with Clerical Medical, one of the big four insurance companies in the city, to set up National Westminster Life Assurance and has bought the first phase of Trinity Quay, in the heart of the city, in a deal estimated at £40m. The first phase, a 75,000sq ft building, is already up and it will build the second phase, adding almost 100,000sq ft, next to it.

Chesterton's Mr Stevenson describes the office scene as "spectacular". Only one modern building, the Standard Life office at Redcliffe Quay, is now available and there is a danger that as Bristol comes out of the recession there will be a shortage of space leading to a sharp rise in prices.

The best office price achieved so far is the £18.75 a sq ft by the Church Commissioners 18 months ago for Great George St, but it is believed 50,000sq ft is under negotiation at Cathedral Steps for just over £20.

Sturge's Mr Pinnacane agrees. "Bristol will face a severe shortage of offices by the end of next year because of the current lack of development," he says. "The sale of Trinity Quay to NatWest provided a major boost but it also brought

greater pressure for new development."

Perhaps there is a greater danger. Western Provident Association, the medical insurance group, has fled altogether. It has relocated to Taunton. For the moment the out-of-town business parks are the magnet, with Bristol and West Building Society and South Western Electricity among those taking space away from the centre. There are fears that before long Western Provident's move will be replicated.

These fears are not echoed by Mr St John Hartnell, of Hartnell, Taylor, Cook. "Bristol has everything going for it," he proclaims. "Transport changes will help the inner city. Bristol Development Corporation has imaginative plans for its area and there are great things going on in the docks. Few other cities have as much going for them."

The docks is indeed an exciting possibility. Some 2,500 acres covering Avonmouth and Royal Portbury have now come under First Corporate and, released from the shackles imposed by its previous owners, Bristol Corporation.

Serious inquiries have already been received from importers and exporters. The area is ideally situated, being at the side of the M5 motorway and there are some 300 buildings on the site, many of which are capable of development.

With careful management Bristol is in a position to take advantage of the upturn in the economy when it happens. The Ministry of Defence, National Westminster and others have shown they are confident of the city's future. The council also has to play its part; only it can ensure that confidence is not misplaced.

Anthony Moreton

BRISTOL AIRPORT

A runway too far

IN THE late 1950s, when Bristol was looking for a new site for its airport, the city council was offered Filton for £1. Filton was then, and now, owned by the aircraft manufacturer British Aerospace, its present owner, and a lot of test flying was taking place from the runway.

Looking a gift horse squarely in the face, the council demurred. It called in consultants who advised there was no future in having a commercial service running in tandem with test flying. Developments elsewhere - Toulouse, for example - have proved the consultants wrong.

The council eventually found its site at Lulsgate Bottom, on the A 38 towards Bridgewater on the other side of the city. It is out in the country, traffic along the road fringing the airport has to stop when aircraft are approaching. Lulsgate is a pleasant airport but needs money spent on it if it is to meet the expanding services, particularly those of Brynmor Airways' scheduled flights.

Lulsgate was originally built for the Royal Air Force during the second world war as a place to train aircrew in the arts of night and bad-weather flying. Together with its notorious hump in the runway it is sometimes considered remarkable it has grown as it has.

Mr Les Wilson, airport director since the early 1980s, concedes Lulsgate is not the most admirable location. "The airport is certainly not in the best place to serve the needs of the city or of the region even though it is no more than nine miles from the centre of Bristol," he says. "But to build another is simply not feasible today. Environmental pressures would almost certainly stop on almost any alternative that might be chosen."

Which brings us back to the deal for Filton. Most busi-

nessmen agree with Dartington's managing director, Mr Chris Dunkerley that Filton should be developed as a "Bristol airport. Opinion is not unanimous, though: his colleague at the investment bank, Mr Roy Avery, says there is no way an extension to Filton, which sits in the middle of a built-up area, would get beyond the planners let alone the environmentalists and local residents."

British Aerospace would almost certainly develop Filton - but at a price. The price would be agreement that the airport should handle international flights. It is a reasonable price, given its proximity to London's Heathrow and Gatwick airports, but not likely to be by the local planners.

Does Bristol therefore have to stay with Lulsgate? There is the other alternative and Mr Wilson sees its advantages. Gwent County Council has proposed an international airport on a site along the north, or Welsh, side of the Bristol Channel. Within Bristol this proposal has its supporters since it would be near to the point where the second Severn crossing, about to be built, would land.

Mr Wilson is sceptical, though. "In theory, a Severn-side airport is a good idea. It would tap a very large catchment area in Bristol, the South West and South Wales. But it is not a runner."

"The financial investment needed would run into billions and I doubt if that sort of money is available. I also doubt if such an airport would get over the environmental

hurdle. A good idea but an old chestnut."

For the present, therefore, Lulsgate will remain Bristol's airport. Essential improvements are likely. A 10-year development plan, costing £5-6m, points the way forward. The runway could be extended from its present 2,011 metres to the minimum of 2,200 needed to handle the big international jets.

To get a longer runway the road would have to be diverted through a tunnel. That, though, is not the first of Mr Wilson's priorities. "Much more important is serving the medium-haul business and increasing the short-haul."

It is being helped in this aim by the decision of Brynmor to make Bristol its hub airport. Mr Malcolm Naylor, the airline's managing director, says the company is putting a big investment into its Bristol base. "Since the end of last year we have put three new Boeing Dash-8 aircraft there and next Spring we shall have another 50-seater. Our services will be expanded, boosting the 8,500 passengers we carry every month on scheduled flights. Bristol has a big catchment area and we aim to capture a good part of it."

It is the charter side, though, which is Bristol's strength. It is in most regional airports. As recently as 1990 Bristol handled only 200,000 passengers a year and lost £130,000. By 1990 that number had risen to 513,000 and the loss had been turned into a profit of £713,000.

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POLITICS

An unlikely battleground



Labour's Robertson: "neither leftwing nor anti-business"

against the Bristol Development Corporation.

But Mr Graham Robertson, the council leader, denies that he is left wing or that the council is hostile to development.

"I have been council leader for eight years and nobody could describe me as left wing. I am moderate," he says. "I don't know how anyone can describe us as anti-business when you look at how many white collar companies have come into Bristol and how many jobs have been created."

With Lloyds Bank down at Canon Marsh, we owned part of the site. We were helpful in getting them here. We did insist they kept the riverside walkways but we were not obstructive about planning permission."

Mr Alec Ewens, the president of the Bristol Chamber of Commerce, who claims political neutrality, says that although the council and the business community had been at odds in recent years, there was now cooperation and partnership - "rather like Sheffield which also has a labour council".

But Mr St John Hartnell, a leading estate agent, who is involved with the Bristol Development Corporation and the proposed light railway system, says that the council has consistently opposed office development in the city centre.

"Some large projects have only gone through after appeals to the secretary for the environment," (The secretary of state has the power to "call in" or overrule planning decisions made by a local council.)

Mr Hartnell concedes that the city council and private sector developers are getting along better now.

He regards the leasing of the council-owned port and docks to a private concern as an imaginative step. But he says that the council has dragged its feet over helping to provide the city with a light railway system.

A private Bill for the first stage of the light railway system has gone through parliament but no work has yet taken place.

Mr Hartnell also believes

that the council has not done enough to ease Bristol's traffic jams. "We must be done of major cities in not having a park and ride scheme," he says.

Such views are not unexpected from Mr Hartnell, with his involvement in property and his strong support for the Conservative Party, and indeed from Sir Robert Wall.

The council has been criticised for failing to benefit from City Challenge, a new round of funds for inner city development schemes awarded by the Department of the Environment. It mounted a strong scheme involving the Church, the university, the local branch of the CBI and the Chamber of Commerce for a redevelopment at Hartcliffe and Withywood, a part of Bristol hit by recent job losses.

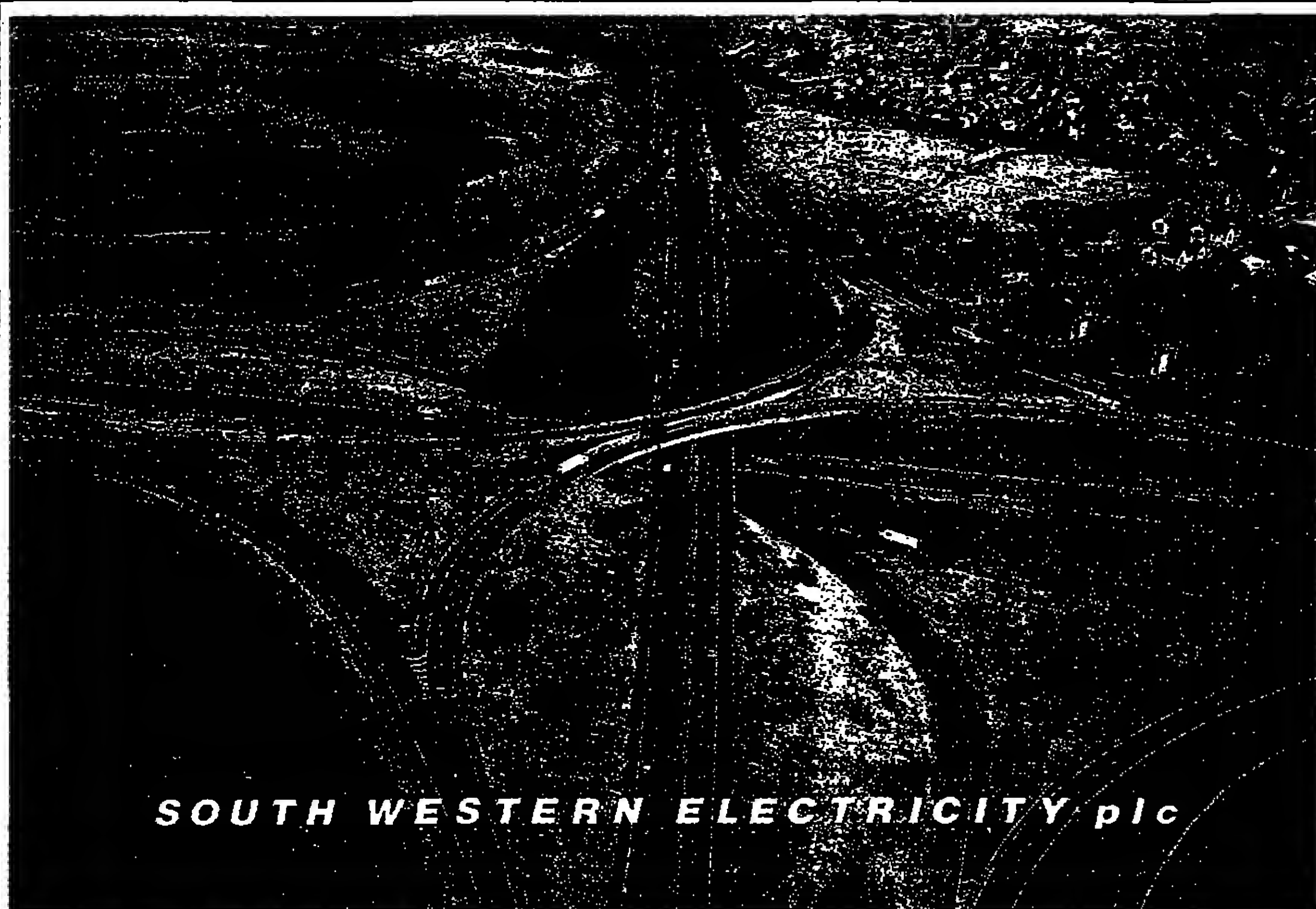
The scheme for Hartcliffe and Withywood was not chosen. No official reason was given by the DoE, but according to Mr Robertson, the DoE was unhappy with the proposed mix of housing, which would have contained insufficient private accommodation.

The difference between the council and developers is high. It is in the classes over the Bristol Development Corporation - would remain.

Mr Robertson, however, insists that the spine road would so drive up land prices that building anything other than offices and expensive housing would be uneconomic. Small manufacturers would not be able to afford the rents and rates.

The council and the BDC continue to argue. The council has had to accept the development corporation, although unlike corporations such as the ones in Teesside and Sheffield, the Bristol Development Corporation is boycotted by Labour council members.

Stewart Dalby



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Equities fall as selling pressure builds

By Terry Byland, UK Stock Market Editor

A NERVOUS UK stock market was further unsettled yesterday by reported warnings from Mr. Edward Shevardnadze, the Soviet Foreign Relations Minister, of the danger of another coup in Soviet Russia. Although the reports were greeted with some scepticism, they depressed a stock market also faced with more downgrades of company profits by City analysts and finally upset by the announcement from Maxwell Communication that its trading report due today would be deferred.

Impressed by Wall Street's performance overnight, UK equities opened firmer. But the initial gain of 0.8 on the Footsie proved to be the high of the day and share prices soon began to slide, in spite of a steadier tone in the currency

market.

Shares turned off as traders reported that large lines of stock were coming on offer. A US insurance company was believed to be trying to sell a portfolio having reportedly failed to make a deal with a London-based securities house. A wave of large deals, transacted during the morning but reported later in accordance with Stock Exchange

rules, flowed across the Sea screen just before trading ended for the day.

Details of the transaction were obscured by the heavy list of overnight bid and break-fast, or tax-orientated deals, in which stock sold at the close of Tuesday's session was repurchased yesterday morning. A package of nearly 6m shares in Shell received this treatment.

Many of the international institutions concentrated on the auction of £1.5bn of UK government 20 year bonds, leaving the equity sector with even fewer players than earlier in the week. The reports of the Soviet Foreign Minister's comments on the situation in the Soviet Union, relayed to London from Tokyo, took further toll and by mid-session, the FT-SE Index was 26.6 down.

An attempted rally in the second half of the session was checked when Wall Street, after a slow start, showed a fall of 10 Dow points in UK hours, as it responded to economic statistics on US durable goods orders, personal income and employment.

The FT-SE Index ended the session a net 24 off at 2,447.5, bringing into focus the 2,430 mark challenged on Monday. Traders regard Footsie 2,425 as a testing level for the market.

Trading volume, as measured by the Seaq network, increased to 548.5m shares from 536.1m on Tuesday. Traders believed that perhaps 100m of the share total reflected tax-related activity, and said that genuine investment activity in the market yesterday had been somewhat higher than in

recent sessions which have also been featured by substantial tax-related trading.

With US markets closed today for Thanksgiving Day, institutional investors in London were nervous of being left holding blue chip stocks, effectively until next Monday morning.

For this reason, UK traders backed away from SmithKline Beecham as it fell heavily yesterday.

Among domestically-oriented issues, store and retail stocks failed to hold on to the gains achieved in the previous session, as worries regarding the Christmas season resurfaced. Bank stocks were badly unsettled at the close when the deferment of the Maxwell Communication statement hit those banks known to be involved with Maxwell debt.

FINANCIAL TIMES STOCK INDICES

	Nov 27	Nov 28	Nov 29	Nov 30	Nov 1	Nov 2	Nov 3	Nov 4	Nov 5	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 25	Nov 26	Nov 27	Nov 28	Nov 29	Nov 30	Nov 1	Nov 2	Nov 3	Nov 4	Nov 5	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 25	Nov 26	Nov 27	Nov 28	Nov 29	Nov 30	Nov 1	Nov 2	Nov 3	Nov 4	Nov 5	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 25	Nov 26	Nov 27	Nov 28	Nov 29	Nov 30	Nov 1	Nov 2	Nov 3	Nov 4	Nov 5	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 25	Nov 26	Nov 27	Nov 28	Nov 29	Nov 30	Nov 1	Nov 2	Nov 3	Nov 4	Nov 5	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 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LONDON SHARE SERVICE

AMERICANS

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INVESTMENT TRUSTS - Cont.

Notes	Price	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	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* Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Belt Charge	Cash Price	Bid Price	Offer Price	% of Yield
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● Current Unit Trust prices are 360 off peak. Inc VAT

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مکتبہ اسلامیہ

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Soviet worries boost dollar

THE DOLLAR was driven higher yesterday as worries about the political stability of the Soviet Union resurfaced, prompting investors to favour the US currency's qualities as a safe haven.

Spurring the move into dollars was the reported comments of Mr Eduard Shevardnadze, the Soviet foreign minister, who warned that the serious deterioration in the Soviet economy could lead to another coup.

The dollar had opened firmly following the comments by Mr Jürgen Möllemann, the German economics minister, who was reported to have said he would hold the best level for the dollar was between DM1.65 and DM1.70.

Currency analysts said Mr Möllemann had been referring to the level of the dollar preferred by German exporters. Nevertheless, the dollar held onto most of its gains and was given a further boost soon after European trading began when the first talk about a coup in the Soviet Union began to sweep around the market.

Further gains came as another batch of US economic statistics were released. The focus of attention was the new applications for unemployment insurance, which fell in the week ended November 16 to a seasonally adjusted level of

413,000 from 493,000 the previous week.

Dealers reported strong interest in the dollar and said some investors who had sold the US currency after the failed coup in August had reappeared as buyers.

But the movement in the foreign exchange markets may have been exaggerated by the approach of the year end and with some dealers reluctant to actively trade the market. "Many inter-bank dealers have an eye on their end of year bonuses and don't want to blow any profits they have made this year by taking large positions," said one currency trader.

The dollar closed higher at DM1.6170 from DM1.6050 and at ¥130.25 from ¥128.15.

The main casualty of the talk about political upheaval in the Soviet Union was the D-Mark. Its easier tone released some of the tension

that had been building up within the ERM, while other European currencies were also able to make gains, particularly the Swiss franc. The mark dropped to 88.30 Swiss centimes from 88.70.

There was also a growing feeling that Germany will try to keep the mark under control ahead of the Maastricht Summit in order to prevent stresses in the ERM becoming a source of tension at the meeting.

Sterling also benefited from the mark's weakness, rising to DM2.8575 from DM2.8400, although it remained firmly at the bottom of the ERM grid.

However, Portuguese Escudo continued to fall despite the mark weakness and intervention the previous day by the Bank of Portugal. The mark closed at around 88.10 escudos, just below the level at which the Bank had stepped into the market on Tuesday.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change
Spanish Peseta	100	133.33	-0.1
French Franc	100	6.55	-0.1
Italian Lira	1,000	2036.27	-0.1
German Mark	100	1.36	-0.1
British Pound	100	1.48	-0.1
Portuguese Escudo	100	200.48	-0.1
Irish Punt	100	7.88	-0.1
Belgian Franc	100	36.36	-0.1
Dutch Guilder	100	3.60	-0.1
Austrian Schilling	100	13.76	-0.1
Swedish Krona	100	10.46	-0.1
Norwegian Krone	100	4.76	-0.1
Finland Markka	100	5.94	-0.1
Yugoslav Dinar	100	13.63	-0.1
Czech Koruna	100	16.60	-0.1
Slovak Koruna	100	15.75	-0.1
Hungarian Forint	100	200.48	-0.1
Romanian Leu	100	16.60	-0.1
Bulgarian Lev	100	2.00	-0.1
Greek Drachma	100	340.75	-0.1
Turkish Lira	100	1.36	-0.1
Israeli Sheqel	100	1.36	-0.1

Source: European Central Bank. Rates are for 100 units of the foreign currency against 100 units of the German Mark. Percentages are for daily changes.

POUND SPOT - FORWARD AGAINST THE POUND

Term	Rate	% Change
Spot	1.48	-0.1
1 month	1.49	-0.1
3 months	1.50	-0.1
6 months	1.51	-0.1
12 months	1.52	-0.1

STERLING INDEX

Index	Value	% Change
Spot	100.00	-0.1
1 month	100.00	-0.1
3 months	100.00	-0.1
6 months	100.00	-0.1
12 months	100.00	-0.1

CURRENCY MOVEMENTS

Currency	Rate	% Change
US Dollar	1.6170	+0.1
Japanese Yen	130.25	+0.1
Swiss Franc	88.30	+0.1
French Franc	6.55	-0.1
Italian Lira	2036.27	-0.1
German Mark	1.36	-0.1
British Pound	1.48	-0.1
Portuguese Escudo	200.48	-0.1
Irish Punt	7.88	-0.1
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Austrian Schilling	13.76	-0.1
Swedish Krona	10.46	-0.1
Norwegian Krone	4.76	-0.1
Finland Markka	5.94	-0.1
Yugoslav Dinar	13.63	-0.1
Czech Koruna	16.60	-0.1
Slovak Koruna	15.75	-0.1
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CURRENCY RATES

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OTHER CURRENCIES

Currency	Rate	% Change
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French Franc	6.55	-0.1
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MONEY MARKETS

World rates steady

MONEY rates around the world were broadly stable yesterday as the recovery in the US dollar and weakness in the D-Mark eased some of the tension which has been building up in recent days in the markets.

UK money rates were steady to slightly easier as sterling strengthened against the mark. The key three months inter-bank rate was unchanged at 10 1/4 per cent; six months money was off 1/4 at 10 1/2 per cent; and one year money was also 1/4 easier at 10 1/4 per cent.

Sterling's positive

UK clearing bank base lending rate 10 1/2 per cent from September 4, 1991

performance against the D-Mark lifted the futures market, with the March short sterling contract up 5 basis points at 89.75.

At current market levels, dealers are still not expecting any change in UK interest rates in the immediate future. The futures market is currently anticipating an interest rate at the end of March of 10.25 per cent.

Mr Norman Lamont, Chancellor of the Exchequer, reaffirmed yesterday that the UK government was committed to the current level

of ERM parties. However, money dealers said it would take either a sudden improvement in economic confidence or rise in sterling to create the room for an early cut in interest rates.

The Bank of England left the money market slightly short of liquidity. It initially forecast a liquidity shortage of £1.2bn, caused partly by Treasury bills maturing.

The forecast was later revised to £1.26bn. This shortage was met with £1.15bn of assistance, which left the market almost £100m short.

Money dealers said they expected further large shortages as the end of the month approached. Today a shortage of around £1bn is forecast by dealers.

In Frankfurt short-term money rates were firmer as the end of the month approached with banks trying to bolster their liquidity levels to meet their reserve requirements.

Call money was quoted at 9.10-20 per cent, up from 9.00-10 per cent despite the Bundesbank adding DM2.3bn of liquidity to the banking system in this week's securities repurchase tender.

In New York the Federal Reserve refrained from reserve management operations. Federal funds were trading at 4 1/4 per cent compared with the Fed's presumed target of 4 per cent.

FINANCIAL FUTURES AND OPTIONS

LIFE LONG CALL FUTURES OPTIONS

Strike	Call	Put	% Change
90	4.00	4.00	-0.1
91	3.17	3.17	-0.1
92	2.34	2.34	-0.1
93	1.51	1.51	-0.1
94	0.68	0.68	-0.1
95	0.25	0.25	-0.1

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices November 27

[illegible]

NYSE COMPOSITE PRICES

1991		Div. %		P/E Ratio		High		Low		1991		Div. %		P/E Ratio		High		Low	
High Stock		Div. %		P/E Ratio		High		Low		High Stock		Div. %		P/E Ratio		High		Low	
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37	24	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51
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117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136
217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236
317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336
417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436
517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536
617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636
717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736
817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836
917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936
1017	1018	1019	1020	1021	1022	1023	1024	1025	1026	1027	1028	1029	1030	1031	1032	1033	1034	1035	1036
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NASDAQ NATIONAL MARKET

3:00 pm prices November 27

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AMEX COMPOSITE PRICES

3:00 pm prices November 27

[illegible]

1992 - The European Market

**The FT proposes to publish this survey on
December 18 1991.**

The more predominant role of the EC will have the greatest impact on a company's business over the next few years. This was the view of 51% of top Chief Executives in Europe surveyed in 1990 who read the FT.

**If you want to reach this important audience,
call Elizabeth Vaughan on
071 873 3472 or fax 071 873 3075**

Data source: Chief Executives in Europe 1990.

FT SURVEYS

CHARITIES

The FT proposes to publish this survey on December 19th 1991.

December 19th 1991.
It will be of considerable interest to senior management, solicitors and wealthy individuals who read the FT. In addition to appearing in the paper this survey will be sent to the Chief Executives of the UK's Top 500 companies. If you want to reach this important audience, call

Jessica Perry
on 071 873 4611
or fax 071 873 306

Data source: BMRC 1990

FT SURVEYS

AMERICA

Dow eases as market winds down before Thanksgiving

Wall Street

A RARE release of good economic news failed to stimulate buying interest yesterday morning, as the stock market wound down for Thanksgiving.

The Dow Jones Industrial Average was 9.39 lower at 2,906.75. The more broadly-based Standard & Poor's 500 was also weaker, mid-session, down 1.06 at 376.91, while the Nasdaq composite of over-the-counter stocks gave up 0.60 to 521.63. Turnover on the NYSE was 94m shares by 1pm.

The market opened weaker, ignoring the apparently encouraging news of a big fall in weekly initial jobless claims and a 3 per cent increase in October durable goods orders. The message behind the figures was not as promising as it first looked, however, because closer examination of both sets of data showed that they were distorted by one-off holiday and seasonal factors. The underlying theme was still one of a depressed economy.

A more powerful influence on the market was a fall in IBM shares. Although the stock had risen on Tuesday's

news of a big restructuring charge and lay-off plans, it suffered yesterday, falling 3 1/4 to \$94 1/4, after two big broking houses, Merrill Lynch and Bear Stearns, cut their ratings and profits forecasts for the computer group, citing concerns about worldwide demand and potential inefficiencies stemming from the corporate restructuring.

The decline in IBM spread to other computer stocks, with Compaq losing 3 1/4 to \$24 1/4, Digital Equipment falling 3 1/4 to \$63 1/4, and Hewlett-Packard giving up 5 1/4 to \$49.

Philip Morris fell 5 1/4 to \$89 1/4 on news that the food and tobacco group will have to take a \$1bn charge for the full year because of the adoption of a new accounting method for retirement benefits. It will also take a further \$275m charge in the fourth quarter to cover the cost of reorganising its international food operations.

Reebok fell 1 1/4 to \$27 1/4 on reports that the UK's Pentland Group plans to sell its remaining 13 per cent stake in the sports shoe manufacturer. Cincinnati Bell rose early on, but fell back 3 1/4 to \$20 1/4 after the telecommunications company announced that it would trim its workforce by 10 per cent as a cost-cutting measure.

Du Pont rose 3 1/4 to \$44 1/4 on the news that the big chemical group expects a one-off gain of about 20 cents a share from the sale of its 50 per cent stake in two coal companies.

Advanced Polymer jumped 3 1/4 to \$9 1/4 after the French group Rhone-Poulenc said it would buy a stake under a revised joint venture pact.

Canada

TORONTO stocks fell in sluggish midday trade, with many players reluctant to take positions ahead of the US Thanksgiving. The composite index fell 9.3 to 3,439.1. Declines led advances by 241 to 185 on volume of 12m shares valued at \$319.2m.

The Bank of Montreal rose 3 1/4 to C\$39 1/4, a 52-week high, after the bank reported higher-than-expected fourth quarter and annual earnings on Tuesday. Analysts said they were likely to raise their 1992 earnings expectations.

Small capitalisation and penny stocks dominated the most active list on tax-loss selling. Among active issues, Royal Oak Mines eased 3 cents to C\$1.52, Lac Minerals rose 3 1/4 to C\$9 1/4, and FCA International was flat at C\$4.50.

Polish shares fascinate locals and foreigners

Interest is growing, despite a fall in the Warsaw index, writes Christopher Bobinski

EACH TUESDAY a crush of curious onlookers at Warsaw's stock exchange peers across makeshift barriers at young brokers performing their rituals at their computer screens. The chatter ceases as Mr Wieslaw Rozluccki, the exchange's chairman, reads out the stock prices for the day and they are repeated on a green electronic screen, which flickers across the room on the fifth floor of what was once the Communist Party's headquarters.

Mr Rozluccki has performed the ceremony regularly since the exchange opened in April, when it traded the stocks of five companies privatised the previous autumn. Since then another four have joined them, and Mr Rozluccki is confident that he will have one new stock added to the exchange's list by the end of the year.

"That is a conservative estimate," he says. The exchange is modelled on French lines, with an order-driven system and price movements are based on a 10 per cent rise or fall in any session. "We also have a very modern book entry system which makes

dealings very safe," Mr Rozluccki says. Trading will increase to twice a week from the new year.

This is all rather new for most Poles. Clients at one bank providing a stockbroking service range from the younger generation to pensioners, who remember the stock exchange which closed in 1989.

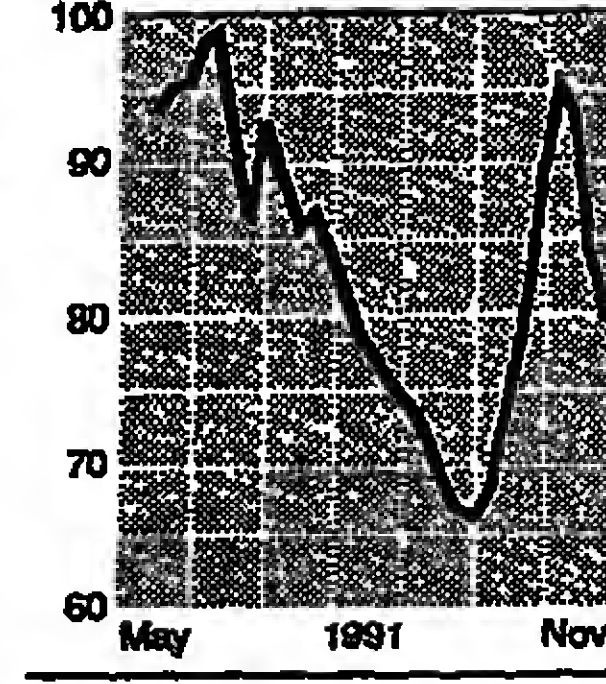
To match the interest, trading volumes have grown steadily, from 39.6m zlotys (\$3,400) at the first session to this week's 11.8m zlotys.

This week, the Wedel confectionery producer, which is 40 per cent owned by PepsiCo, came to the market and immediately saw its share price rise 38.5 per cent from the offer price to 180,000 zlotys. The result pleased Mr Rozluccki, who has seen some of the exchange's poorer performers

pull down the WIG price indicator since May. The index fell to a low of 66.2 a couple of months ago, before recovering to 95.3 early this month and driving back again to 79.9 this week. The indicator compares the average share price on any given trading day with the average price at the first three

Poland

Warsaw WIG indicator



sessions, which equals 100.

The rally in October and in the first half of this month coincided with a crawling peg devaluation of Poland's currency, which was instituted in mid-October and which prompted some investors to move out of zloty savings.

● and the flotation of the Zywiec brewery, which has seen its share price double. On some days Zywiec made up 40 to 50 per cent of the trading volume: on November 5, at its

recent peak, the WIG was at 95.3 and turnover was a record 23.1bn zlotys, 13bn of which was accounted for by trading in Zywiec. This week, however, Zywiec accounted for only 2.3bn of the total turnover of 11.8bn zlotys.

Another good performer is Exbud, the construction conglomerate, which has seen its share price almost treble. "I have had one investor complain that he has not been able to put through a sell order worth some \$300,000," he says, to demonstrate that the sums involved are growing.

The healthy performance of Exbud and Zywiec can be explained by the interest of foreign investors. Mr Rozluccki points out that, at the moment, there are few restrictions on foreigners investing on the exchange. Domestic and foreign investors are covered by the same disclosure rules on holdings of more than 10 per cent, and an intention to buy more than 35 per cent of a company has to be notified to the Securities Commission, headed by Mr Leslaw Paga. The commission has the power to block such a purchase if it threatens

to establish a monopoly "national interest". Such a situation has arisen, however. The nationalisation of the exchange, quoted on the exchange, is still in an exploratory stage.

However, Mr Rozluccki from the Danish Sank investment bank says it has been buying shares on the exchange, spending \$100,000 a day. And Mr Paga, head of the PRO SA team of dealers, says he has an agreement with a based stockbroker to Warsaw shares.

Mr Zorze is, however, tired about the future. The exchange is a market for bank rate makers, he says, and company which has to loan starts facing problems because of the service, he points out.

On the other hand, earnings ratios in Warsaw are low, ranging from 1.4 with most stocks going higher than 3. That is space for future growth.

ASIA PACIFIC

Arbitrage selling pushes Nikkei back below 23,000

Tokyo

LIGHT arbitrage-related selling depressed shares yesterday, as futures prices declined on speculative selling, pushing the Nikkei average back below the 23,000 level, writes Emma Terzani in Tokyo.

The 222-issue average lost 138.81 to close at the day's low of 22,973.28. The high for the session was 23,307.85. The market rose in the morning, encouraged by arbitrage-related buying against the December futures contract, but late afternoon selling pushed the index down.

Volume remained flat at 200m shares. Domestic institutions and foreign investors stayed quiet. Declines led advances by 497 to 357, with 259 issues unchanged. The Topix index of all first section stocks shed 2.80 to 1,750.57, and in London the ISE/Nikkei 50 index eased 3.95 to 1,299.49.

Traders said market participants were unwilling to make significant moves before the expiry of December futures on December 13. Mr Nick Cant at Baring Securities said investors tended to get nervous before special quotation (SQ) day, when the settlement price of the futures are determined. "There may be a rally after we pass SQ, but the 25,000 level will be a hard resistance," he added.

The Tokyo Stock Exchange announced yesterday that, as of November 22, a total of 1.1bn shares worth ¥1,190bn were held against December futures, down 232m shares or ¥321bn from a week earlier. The decline in long positions reflected a weakness in the futures market, but investors were growing nervous over the remaining cash positions.

Nomura Securities was the most active arbitrageur during the week of November 18 to 22, trading a total of 23m shares, or 17.7 per cent of total turnover. Morgan Stanley and Salomon Brothers followed.

In spite of the strengthening of the dollar against the yen, high-technology issues continued to lead gains. Hitachi fell ¥16 to ¥886, renewing its low for the year on selling by domestic institutions and foreigners. Sony also reached a year's low, down ¥30 to ¥4,360. Dealer activity focused on Aids-related stories. Sanyo Kokusaku Pulp, the day's most active issue, firmed ¥3 to ¥643 on rumours that the company would start a joint research project with a pharmaceutical group. Meiji Milk Products was also active, trading actively but declined ¥20 to ¥1,180.

In Osaka, the OSE average moved up 97.91 to 24,881.83 on volume of 33.8m shares. Toyo Sango, a speculative issue, rallied ¥200 to ¥1,420 after falling by its daily limit on Tuesday on rumours that a leading speculator had been arrested. Bargain hunters sought the issue as no fresh reports on the arrest followed.

Roundup

MODEST GAINS or losses were the order of the day in the region, where the delicate equilibrium in senior international markets was maintained.

HONG KONG eased further on fears that the US will impose tough trade sanctions against China and on news that the US House of Representatives had voted to attach human rights and trade conditions to the renewal of Beijing's Most Favoured Nation trade status next year.

The Hang Seng Index finished 22.90 lower at 4,179.20 but was up from a morning low of 4,166.87. The US vote news brought selling of manufacturing stocks, particularly toy companies, many of which relocated their factories to southern China in the 1980s.

Turnover rose from HK\$1.12bn to HK\$1.36bn. TAIWAN fell on profit-taking in moderate trading, the weighted index closing 58.52 lower at 4,471.0 as turnover fell

from NT\$7.5bn to NT\$4.9bn.

SINGAPORE followed Wall Street, the Straits Times Industrial Index ending 7.04 higher at 1,456.40 as turnover rose from S\$51.9m to S\$61.7m. Amcol Holdings, rumoured to be the target of a Hong Kong takeover party, saw 2.1m shares change hands as it rose by one cent to S\$2.20.

BANGKOK, concerned recently about further amendments to the draft constitution, managed a small rise in moderate trading, with the SET index gaining 0.68 to 668.60 in turnover of B\$2.02bn.

AUSTRALIA was interrupted by a computer room fire in Sydney, and traders said this made the market "almost dead". The All Ordinaries index finished 1.8 off at 1,619.5 and turnover thinned from A\$233m to A\$173m. However, News Corp rose 14 cents to A\$14.88 after a slightly firmer closing on Wall Street.

NEW ZEALAND was narrowly edged up a further 1 cent to NZ\$2.32 in forestry group Carter Holt Harvey left the NZSE 40 index 3.21 ahead at 1,571.56 in turnover down from NZ\$31m to NZ\$17m. Carter Holt has risen 27 cents, or 12 per cent, since Friday, when International Paper, of the US, bought a 16 per cent stake in the group for NZ\$2.15 a share. However, Fletcher Challenge, the forestry and resources company, came out of Carter's shadow yesterday, rising 6 cents to NZ\$3.48 in volume of \$20.0m shares.

KARACHI hit its fifth record high in a row. The inflow of foreign funds helped to push the index up 44 to 2,923.

SOUTH AFRICA

JOHANNESBURG was pulled down by the gold sector in thin trading. The all-gold index fell 13 to 1,242, pushing the overall index 8 lower to 3,528, although the industrial index rose 3 to 4,223. Vasil Reefs fell R2.75 to R212.

EUROPE

Soviet coup talk sends tremor through bourse

CARELESS WORDS were a talking point in some bourses yesterday, writes Our Markets Staff.

Bundesbank luminaries did their best to dilute bullishness on German interest rates and the dollar, but Soviet attempts to play down Foreign Minister Eduard Shevardnadze's fears of domestic political instability came too late to help Frankfurt.

FRANKFURT'S DAX index closed a whisker above its intraday low at 1,586.16, down 16.71, after a 3.54 decline to 633.11 in the FAZ at mid-session. Afternoon trading left the leaders another hair's breadth behind the London and Paris indices, which were similar to Tuesday's FF1.8bn.

Volume eased from DM4.5bn to DM4.4bn. Mr Horst-Kaspar Greven of Merck Finke in Düsseldorf said that investors were not willing to buy in bulk, with German interest rates not expected to fall before the end of the year, and that some profit-taking, and a few investors slowly building up positions for a 1992 recovery, were dictating the daily ups and downs of the market, he said.

PARIS finished near its day's low, as Tuesday's burst of bargain-hunting ran off. The CAC 40 index closed 11.11 down at 1,757.86, after moving between a low of 1,761.58 and a high of 1,772.68. Turnover was similar to Tuesday's FF1.8bn. Against the trend, Perrier, the mineral water group, jumped FF239 or 3.2 per cent to FF1,274 in volume of 35,315 shares after its parent company, Exor, was suspended. Exchange authorities said that they had been informed of an

FT-SE Eurotrack 100 - Nov 27

Hourly changes

Open 10 am 11 am Noon 1 pm 2 pm 3 pm Close

1072.60 1071.90 1068.59 1069.41 1068.88 1069.08 1069.74 1069.79

Day's High 1072.61 Day's Low 1067.78

Nov 26 1071.48 Nov 25 1069.67 Nov 22 1068.84 Nov 21 1071.57 Nov 20 1070.00

Base value 100 (20/10/80)

put on L384 to L19,179.

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imminent bid for Exor. There was speculation that the bidder was the Agnelli family of Italy, which already holds about 21 per cent of the voting rights. Among active blue chips, Alcatel Alsthom dropped FF12 to FF564 in volume of 416,580 shares and Elf Aquitaine shed FF7.70 to FF390.50 in 234,300 shares, but Générale des Eaux, which is due to go ex one for 10 today, gained FF73 to FF2,249 in 40,670 shares and Total rose FF19 or 1.5 per cent to FF1,022. Pirelli, which rose FF6.50 on Tuesday in response to its

bid for two-thirds of Printemps, fell FF16 or 6 per cent to FF251.50.

OSLO was restrained by a 3.8 per cent fall in Norsk Hydro, which accounts for more than 20 per cent of the market. The all-share index ended 1.82 up at 406.16 in turnover of Nkr44m.

Hydro fell Nkr5.5 to Nkr138 after Tuesday's announcement of a cut in output at its magnesium plant in Canada. One analyst pointed out that, of the four sectors in which Hydro is involved, metals and petrochemicals were both in downward trends, fertilisers were stagnant and only oil and gas looked encouraging.

STOCKHOLM was hit by the rumours of a coup in the Soviet Union. The Affarsvarden General index fell 4.0 to 942.3 in water-thin volume of SEK15m after SEK31m. AMSTERDAM was also unsettled by the Soviet coup rumours. The CBS Tendency

index fell 0.3 to 89.4.

international stocks, Dutch Petroleum lost 40 cents to Fl 143.00 while Unilever fell 80 cents to Fl 165.00. ZURICH fell in thin on the Shevardnadze row. The Credit Suisse index to 459.4. MADRID, which recouped its early losses, ended 0.05 up at 244.24.

VIENNA, Credit Suisse shares fell after the priced its three-for-38 issue at Sch400 a share. Ordinary shares fell Sch575 and the preferred Sch458. The ATX slipped 3.41 to 981.32.

ISTANBUL succumbed to profit-taking after rising in two days. Volume record high of 62m worth TL559bn after TL61m worth TL389bn. The share index fell 81 to 4,458.91.

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As you can see, we're "inter" much more than banking these days.

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 28 1991										MONDAY NOVEMBER 25 1991										DOLLAR INDEX					
	Figures in parentheses show percentage change from time of stock												Figures in parentheses show percentage change from time of stock													
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local Currency % on day	Gross US Yield	US Treasury 91	Pound Sterling 91	Yen Index	DM Index	Local Currency Index	1991 Low	Year Ago (approx)											
Australia (69)	152.99	-0.2	126.22	123.93	125.71	128.82	+0.1	4.53	153.23	126.24	123.74	128.11	128.67	160.31	112.74	123.69										
Austria (50)	173.06	-0.5	142.78	142.19	142.20	142.58	-0.5	2.01	173.92	143.29	140.45	143.14	143.23	222.37	153.86	157.23										
Belgium (47)	135.69	-0.2	111.94	109.90	111.49	109.09	-0.3	5.43	135.93	111.99	109.75	111.87	109.45	151.20	118.04	137.53										
Canada (115)	137.26	+0.4	113.25	111.18	112.78	112.98	+0.0	3.30	138.74	112.66	110.41	112.13	112.82	144.28	126.49	126.02										
Denmark (37)	258.55	+0.0	213.31	209.44	212.45	218.35	-0.1	6.89	258.25	213.25	209.44	212.45	218.35	270.59	217.74	245.74										
Finland (15)	78.54	-0.6	64.90	63.62	64.51	71.17	-0.2	3.42	79.03	65.11	63.62	65.04	71.29	78.54	104.26	104.26										
France (108)	142.02	+1.5	118.82	118.65	118.39	121.99	+1.2	3.84	141.55	118.95	114.62	119.81	120.52	152.26	119.17	139.32										
Germany (65)	115.14	+0.7	95.00	93.29	94.51	94.61	+0.6	2.44	114.90	94.17	92.31	94.07	125.35	94.15	116.93	116.93										
Hong Kong (55)	173.63	-0.4	143.25	140.85	142.67	172.78	-0.4	2.67	173.63	143.25	140.85	142.67	172.78	176.14	119.62	121.90										
Ireland (18)	162.46	+1.1	124.02	121.59	123.48	135.76	+1.1	3.69	160.89	123.39	120.17	132.25	134.26	142.96	132.86	153.62										
Italy (77)	72.67	+1.2	59.95	58.88	59.71	64.92	+1.1	3.57	71.61	59.16	57.99	59.10	64.21	86.23	64.76	76.41										
Japan (474)	135.23	-0.1	111.57	109.54	111.13	109.54	-0.2	0.78	135.95	111.59	109.32	111.43	109.32	148.97	118.23	129.32										
Malaysia (68)	206.45	-0.1	170.33	167.23	169.63	217.66	-0.1	1.69	206.25	170.33	167.23	169.63	217.66	247.78	189.18	191.89										
Mexico (17)	131.45	-0.7	109.31	108.64	107.92	108.42	-0.7	1.17	132.34	109.29	108.64	108.42	108.42	153.45	153.45	153.45										
Netherlands (31)	147.43	+0.3	121.83	119.43	121.14	119.84	+0.1	4.50	147.06	121.16	118.15	121.03	119.71	148.25	125.70	134.71										
New Zealand (14)	49.10	+0.3	40.51	39.78	40.35	45.94	+0.5	8.05	49.94	40.32	39.92	40.28	45.79	54.84	41.18	48.36										
Norway (30)	174.80	-1.7	144.22	141.80	143.84	148.23	-1.8	1.74	177.19	143.80	140.35	145.67	223.24	173.29	217.35	217.35										
Singapore (38)	207.55	-0.2	171.26	168.14	170.55	195.20	-0.2	2.69	207.85	171.27	167.87	171.09	184.53	215.33	155.65	155.65										
South Africa (61)	271.56	-0.2	224.06	219.99	223.15	175.07	-0.2	2.77	271.99	224.09	219.63	223.84	179.34	219.99	173.00	172.27										
Spain (53)	148.06	+0.7	122.18	119.94	121.68	113.57	+0.7	4.65	147.02	121.13	118.72	120.99	112.83	171.13	145.59	145.59										
Sweden (25)	171.81	-0.2	141.59	139.02	141.02	147.35	+2.0	3.03	169.27	139.63	136.88	144.42	204.12	146.50	183.11	183.11										
Switzerland (59)	186.47	+0.1	157.19	155.19	156.81	170.00	+0.1	2.94	186.74	157.19	155.19	156.81	170.00	160.57	182.17	182.17										
Taiwan (36)	177.74	+0.5	148.55	143.97	146.04	146.65	+0.6	5.08	177.82	145.72	142.82	145.55	145.72	197.77	156.77	170.68										
USA (526)	153.71	+0.7	126.92	124.52	126.31	153.71	+0.7	3.16	153.63	126.75	124.26	125.52	152.63	161.59	129.36	129.36										
Europe (825)	142.20	+0.7	117.32	115.19	116.85	117.79	+0.7	4.09	141.15	116.29	113.98	116.17	116.97	151.52	125.05	138.40										
Mexico (17)	178.77	+0.5	145.84	143.19	145.25	144.53	+0.5	2.24	178.81	144.85	141.98	144.96	143.75	200.81	155.56	170.69										
Pacific Basin (718)	139.50	-0.1	112.62	110.38	112.11	111.67	-0.1	1.11	139.67	112.60	110.37	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	112.68	114.69	113.69	+0.2	1.38	139.78	112.65	110.39	112.48	111.48	145.92	117.86	128.52										
Pacific - Pacific (1540)	139.11	+0.2	114.77	11																						